

**CARTERET COUNTY
NORTH CAROLINA**



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

CARTERET COUNTY
NORTH CAROLINA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

Prepared By Finance Department
Dee Meshaw, Assistant County Manager
Finance Director

Table of Contents

Introductory Section (Unaudited)

Letter of Transmittal	1
List of Principal Officials	6
Organizational Chart	7
Map of Carteret County, North Carolina	8
GFOA Certificate of Achievement	9

Financial Section

Independent Auditor's Report	13
Management's Discussion and Analysis (Unaudited)	17
Basic Financial Statements	
Government-wide financial statements:	
Statement of net position	30
Statement of activities	32
Fund financial statements:	
Governmental Funds:	
Balance sheet	34
Statement of revenues, expenditures and changes in fund balance	36
Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities	37
Statement of revenues, expenditures and changes in fund balance – budget and actual - General Fund	38
Statement of revenues, expenditures and changes in fund balance – budget and actual - Occupancy Tax Fund	39
Proprietary Funds:	
Statement of fund net position	40
Statement of revenues, expenses and changes in fund net position	41
Statement of cash flows	42
Fiduciary Funds:	
Statement of fiduciary net position	44
Notes to financial statements	45

Required Supplementary Financial Data (Unaudited)	
Law Enforcement Officers' Special Separation Allowance –	
Schedule of Changes in Total Pension Liability	107
Schedule of Total Pension Liability as a Percentage of Covered Payroll	108
Local Government Employees Retirement System -	
Schedule of Proportionate Share of the Net Pension Liability (Asset)	110
Schedule of County Contributions	112

Table of Contents (Continued)

Register of Deeds' Supplemental Pension Fund	
Schedule of Proportionate Share of the Net Pension Liability (Asset)	114
Schedule of County Contributions	116
Other Postemployment Benefits	
Schedule of Changes in Total OPEB Liability	118
Other Supplemental Financial Data	
Summary of Major Funds:	
General Fund:	
Schedule of revenues, expenditures and changes in fund balance – budget and actual	120
Summary of Nonmajor Governmental Funds:	
Combining balance sheet – nonmajor governmental fund types	127
Combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental fund types	128
Nonmajor Special Revenue Funds:	
Combining balance sheet	130
Combining statement of revenues, expenditures and changes in fund balances	132
Schedule of revenues, expenditures, and changes in fund balance – budget and actual:	
Rescue Squad Fund	134
Fire District Fund	135
Emergency Telephone System Fund	136
Salter Path District Fund	137
Water Tax District Fund	138
CDBG 2003 Scattered Site Fund	139
2014 Flood Mitigation Fund	140
Nonmajor Capital Project Funds:	
Combining balance sheet	142
Combining statement of revenues, expenditures and changes in fund balances	144
Schedule of revenues, expenditures and changes in fund balances – budget and actual:	
County Capital Reserve Fund	146
County Capital Improvements Fund	147
County Facilities / Debt Reserve Fund	148
School Special Projects Fund	149
County Construction Projects Fund	150
2015 School Bond Project Fund	151
Carteret Community College Project Fund	152
Enterprise Fund:	
Schedule of revenues and expenditures – budget and actual (non-GAAP):	
Water Operating Fund	153
Agency Funds:	
Combining statement of changes in fiduciary net position	155
Combining statement of changes in assets and liabilities	156

Table of Contents (Continued)

Governmental Funds Capital Assets:	
Capital assets used in the operation of governmental funds:	
Comparative schedules by source	157
Schedule by function and activity	158
Schedule of changes by function and activity	160
Other Financial Information:	
Schedule of ad valorem taxes receivable	162
Analysis of current year's tax levy	163

Statistical Section (Unaudited)

Schedule 1. Net position by component, last ten fiscal years	166
Schedule 2. Changes in net position, last ten fiscal years	168
Schedule 3. Fund balances, governmental funds, last ten fiscal years	175
Schedule 4. Changes in fund balances, governmental funds, last ten fiscal years	178
Schedule 5. Assessed value and actual value of taxable property, last ten fiscal years	180
Schedule 6. Property tax rates, direct and overlapping governments-summary, last ten years	183
Schedule 7. Property tax rates, direct and overlapping governments-detail, last ten years	184
Schedule 8. Ten largest taxpayers, current year and ten years ago	189
Schedule 9. Property tax levies and collections, last ten fiscal years	190
Schedule 10. Ratios of outstanding debt by type, last ten fiscal years	192
Schedule 11. Ratios of net general bonded debt outstanding, last ten fiscal years	195
Schedule 12. Computation of legal debt margin, last ten fiscal years	196
Schedule 13. Computation of direct and overlapping debt, governmental activities debt	198
Schedule 14. Demographic statistics, last ten fiscal years	199
Schedule 15. Principal employers, current year and ten years ago	200
Schedule 16. Full-time equivalent county government employees by function, last ten years	202
Schedule 17. Operating indicators by function, last ten years	204
Schedule 18. Capital asset statistics by function, last ten years	206

Compliance Section

Independent Auditor's Report on:	
Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	211
Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal and State Awards by the Uniform Guidance and the State Single Audit Implementation Act	213
Compliance for Each Major State Program; Report on Internal Control Over Compliance	215
Schedule of Findings and Questioned Costs	217
Summary Schedule of Prior Audit Findings	220
Schedule of Expenditures of Federal and State Awards	223
Notes to Schedule of Expenditures of Federal and State Awards	230

Introductory Section



Introductory Section

Letter of Transmittal

List of Principal Officials

Organizational Chart

Map of Carteret County, North Carolina

GFOA Certificate of Achievement



CARTERET COUNTY FINANCE

Denise H. Meshaw, CPA
Assistant County Manager
Finance Department



Tel: (252) 728-8410
Fax: (252) 728-8424
deem@carteretcountync.gov
www.carteretcountync.gov

January 29, 2019

To the Citizens of Carteret County:

State law requires that all general-purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the County of Carteret (the "County") for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by RSM LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Comprehensive Annual Financial Report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the County

Carteret County, incorporated in 1722, is a growing county located on the central coastline of North Carolina with approximately 70,000 residents living in or around municipalities and rural "Down East" maritime communities. Carteret County contains 526 square miles of land area and a coastline nearly 80 miles long. The County is bordered on the north by the Pamlico Sound and on the east and south by the Atlantic Ocean. Eleven municipalities are located within the County, with Morehead City being the largest. Beaufort, the third oldest town in North Carolina, serves as the County seat.

Carteret County has established itself as a premier vacation spot, with attractions such as Fort Macon State Park, North Carolina Aquarium, North Carolina Maritime Museum, and Cape Lookout National Seashore. The County has a commissioners/manager form of government. Districts elect the seven members of the Board and serve staggered terms. Policy-making and legislative authority are vested in the governing board. The governing board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the County's manager and attorney. The County manager is responsible for carrying out the policies and ordinances of the governing board, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The County provides a full range of services including public safety, social services and health services, cultural and recreational activities, general administration, and other. The Board of County Commissioners also extends financial support to certain boards, agencies, and commissioners to assist their efforts in servicing citizens. Among these are the Carteret County Board of Education, the Craven-Pamlico-Carteret Regional Library, Carteret Community College, the Economic Development Council, and Trillium Health Resources.

The annual budget serves as the foundation for the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the county manager's office on or before the end of February each year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. law enforcement). The legal level for the General Fund budget is the department level, and all other funds legal level of control is the fund level. Regarding the General Fund, department heads may make transfers of appropriations within a department. The County manager may transfer amounts between objects of expenditures and revenues within a department without limitation. Amounts up to \$20,000 between departments of the same fund per occurrence may be transferred by the manager; however, amounts greater than \$20,000 per occurrence require Commission approval. In addition, amounts between funds require Commission approval. Contingency appropriation transfers require Commission approval except for the purpose of funding salary and benefits adjustments consistent with the Carteret County personal policy. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 38 as part of the basic financial statements for the governmental funds. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e. the special revenue funds and the capital projects funds). Annually adopted funds are as follows: General Fund, Occupancy Tax, Emergency Telephone System, Rescue Squad Taxing District, Fire Taxing Districts, Salter Path Taxing District, Water Taxing District, County Capital Reserve, County Capital improvements, County Facilities / Debt Reserve, School Special Project, and Water Fund. All other funds excluding agency funds have been adopted as project length budgets and are listed as follows: CDBG Scatter Site, 2014 Flood Mitigation, County Construction Project, 2015 School Bond Project, and Carteret Community College Construction Fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local Economy

The County economy continues to improve. Annual unemployment average was 4.35% for the County compared to 4.83% in the prior year, and those rates are slightly lower than the state's average unemployment rate of 4.43%. The tourism industry continues to perform well with an average annual economic impact of \$362.40 million, a 3.20% increase from the previous year. Carteret County ranks thirteenth in the state for tourism. In addition, the county continues to be diverse with manufacturing, distribution, research, construction and marine trades.

Industrial Parks

The Jarrett Bay Marine Industrial Park is approximately 175 acres north of Beaufort on the Intracoastal Waterway. The Park concentrates on the boat industry, and has rapidly evolved into one of the most comprehensive one stop service supply facilities on the east coast. Jarrett Bay Boatworks Inc. added an ultra-modern 30,000 square foot indoor heated repair facility that is designed to accommodate up to two 100 foot vessels side by side with a 55 foot clearance. This addition brings Jarrett Bay's building square footage to 125,000. The Park continues to expand with 98% of the land sold.

Crystal Coast Business Park is located off US Route 70 in Morehead City. The park is 58 acres with eleven parcels. Nine parcels have been sold. The County continues its efforts to recruit businesses to this park. Parcel sizes vary from approximately 2 acres to over 10 acres.

Morehead City State Port

The Morehead City Port is one of the deepest ports on the east coast with a forty-five foot depth and only four miles from the Atlantic Ocean. The port handles both break bulk and bulk cargo and has break bulk tonnage capacity of 1,080,000 and tonnage capacity of 2,730,000. The Port is the second largest importer in the country for natural rubber. Commodities such as rubber, phosphate, lumber, steel, and wood pulp go through the port.

Marine Science

The marine science agencies in Carteret County constitute one of the nation's largest and most diverse concentration of marine related expertise and activity. There are eight major marine science agencies as follows: Duke University Marine Lab, University of North Carolina Institute of Marine Science, North Carolina State University Center for Marine Science and Technology (CMAST), the National Oceanic and Atmospheric Administration (NOAA) Center for Coastal Fisheries and Habitat Research, Carteret Community College Aquaculture and Marine Trades, NC Aquarium at Pine Knoll Shores, NC Division of Coastal Management, and NC Division of Marine Fisheries. Carteret County's eight major marine science agencies account for a total economic impact in the county of \$83 million in economic activity, \$4 million in salary and investment income, and support the employment of 1,063 Carteret residents.

Retail

Retail continues to expand in Carteret County. The County continues to see modest expansion in locally owned restaurants and retail.

The following table lists the 10 largest employers in the County in 2018:

Employer	Service	Employment Range
Carteret County Public Schools	Education	1000+
Carteret General Hospital	Health Services	1000+
Carteret County	Government Service	500-999
Wal-Mart Associates Inc	Retail	250-499
Lowes Home Improvements	Retail	250-499
Carteret Community College	Education	250-499
Big Rock Sports LLC	Retail	250-499
Food Lion	Retail	250-499
Bally Refrigerated Boxes Inc	Manufacturing	100-249
Town of Morehead City	Government Service	100-249

Source: NC Commerce LEAD Division
2018 Employees are full time

During the last ten years, the County's expenses have increased with the most emphasis on public safety and education. These areas have increased 26.40% in public safety and 10.00% in education operating expenses. As a result, of education funding, Carteret County Schools consistently ranks in the top fifteen school systems in local funding ranking in the state. In public safety, funding increases have resulted in greater levels of services with first responders such as paramedics, the Sheriff's Department and 911 telephone system enhancements. The funding increases have provided resources for more staff and staff training, as well as needed equipment.

During this same ten year period, revenues have remained stable with modest increases in fees and taxes. Most increased revenue growth has occurred naturally, and is not due to the Board of Commissioners levying taxes and fee increases. Fees and taxes are set annually to support the adopted budget's services and expenses.

Long-Term Financial Planning

The County's total operating budget for the fiscal year ending June 30, 2019 totals \$115,235,925 with a General Fund tax rate of \$.31 per \$100 of assessed value, based on a total valuation of \$14.99 billion. The County's assessed value represents approximately 1.08% increase from the assessed value used in the June 30, 2018 budget. The increase is due to modest construction in the County. The County anticipates modest growth in its tax base going forward. For the County's operating budget for the fiscal year ending June 30, 2020, it is anticipated that the tax rate would need to be between \$.31 and \$.33 per \$100 of the current assessed value to maintain the current level of service.

The County may elect to use available fund balance for some capital projects and improvements, but such use will be within the constraints of the County's fund balance policy, which requires the County to maintain a 15% unassigned fund balance in the General Fund.

Major Initiatives

The County has several initiatives for fiscal year 2019. In fiscal year 2015, the County developed a facilities master plan to address space needs and current building conditions for social services, courts, Sheriff Division, and County administration needs. The plan is an approximate \$79 million plan that is broken out in multiple phases over a 15 year period. The County Board of Commissioners appropriated funding for a new General Services building that houses public works, public buildings, and the transportation departments. Two of these departments were located in a building that was over 40 years old. This facility was completed in fiscal year 2019. In addition, the Board is reviewing and evaluating

other needs in the plan; however, no formal action has been taken at this time. If the other recommendations in the plan are implemented over time, the County anticipates funding the plan with a combination of long term debt and pay as you go. In addition to the facilities master plan, the county continues to fund park improvements, other building improvements, as well as capital improvements for our schools and community college.

The County continues its initiatives in the fiscal year 2019 budget to improve public safety, transportation, waterway dredging, and human services. The fiscal year 2019 budget funds equipment and expands staffing levels.

In fiscal year 2013, the County completed its \$3.51 million water system improvement project. In fiscal year 2019, the County continues to fund pay as you go capital improvements and maintenance to improve efficiency in operations. Due to the improvements completed in 2013, the County does not have any major water system projects planned for the next few years.

Award and Acknowledgements

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to Carteret County for its Comprehensive Annual Financial Report for the year ended June 30, 2017. This was the seventeenth consecutive year that Carteret County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County also received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2018. In order to qualify for the Distinguished Budget Presentation Award, the County’s budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

In summary, this Comprehensive Annual Financial Report provides a source of information to citizens, the Board of Commissions, other governmental agencies, and investors and creditors, all of whom rely upon it for decision making and the opportunity to learn more about Carteret County’s financial condition.

Much appreciation is expressed to the Finance Department’s staff and RSM LLP without whose dedicated assistance this report could not have been produced. Gratitude goes to the Board of Commissioners for their continued interest and support throughout the past year.

Sincerely,

Dee Meshaw

Dee H. Meshaw
Assistant County Manager

CARTERET COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS JUNE 30, 2018

BOARD OF COMMISSIONERS

MARK MANSFIELD
Chairman
Morehead City, North Carolina

ROBIN COMER
Vice Chairman
Stella, North Carolina

BOB CAVANAUGH
Morehead City, North Carolina

JIMMY FARRINGTON
Emerald Isle, North Carolina

JONATHAN ROBINSON
Atlantic, North Carolina

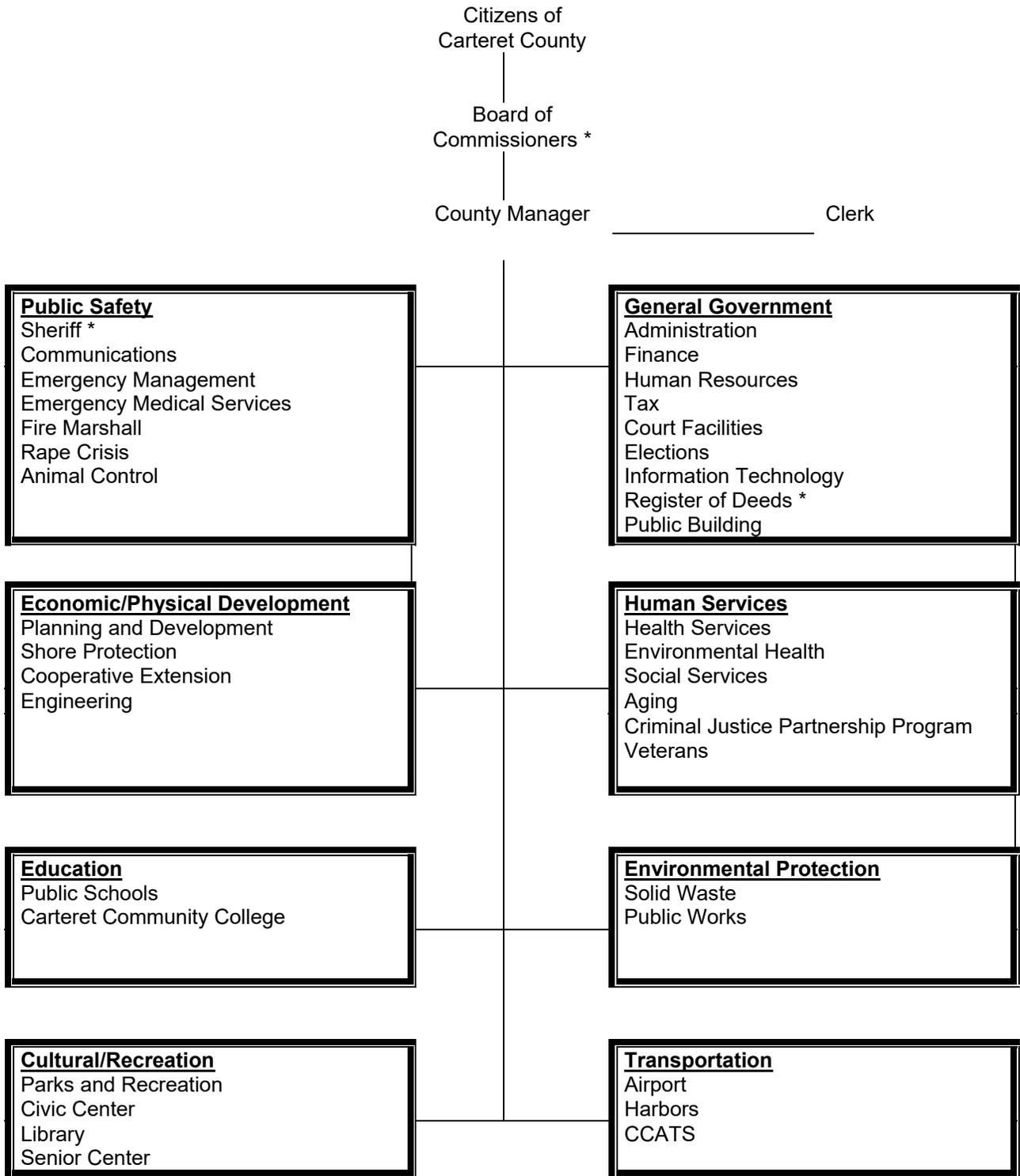
BILL SMITH
Newport, North Carolina

ED WHEATLY
Beaufort, North Carolina

COUNTY OFFICIALS

Tommy Burns	County Manager
Dee H. Meshaw	Assistant County Manager Finance Director
Eugene Foxworth	Assistant County Manager, General Services
Asa Buck III	Sheriff
Karen Hardesty	Register of Deeds
Cynthia Holman	Human Services Director
Stephen Rae	Emergency Management Director
Ray Hall	Information Technology Director
Carl Tilghman	Tax Administrator
Tina Purifoy	Parks and Recreation/ Civic Center Director

**Carteret County, North Carolina
Organizational Chart**



* Elected Officials

**MAP OF
CARTERET COUNTY, NORTH CAROLINA**



<u>Carteret County</u>	
Population	70,620
Area	526 sq. miles
Date Est.	1722
County Seat	Beaufort



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Carteret County
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Financial Section



Financial Section

Independent Auditor's Report

**Management's Discussion and Analysis
(Unaudited)**

Basic Financial Statements

Notes to Financial Statements

**Required Supplementary Information
(Unaudited)**



Independent Auditor's Report

To the Honorable Chairman and
Members of the Board of Commissioners
Carteret County, North Carolina

RSM US LLP

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina (the County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County Alcoholic Beverage Control (ABC) Board or Carteret County General Hospital Corporation, which collectively represent 100% of the assets, net position and revenues of the aggregate discretely presented component units of the County. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County ABC Board and Carteret County General Hospital Corporation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Carteret County ABC Board and Carteret County General Hospital Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and the occupancy tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, in the year ended June 30, 2018, the County adopted new accounting guidance provided in Governmental Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 through 27, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Postemployment Benefits' Schedules of Changes in Total OPEB Liability, the Local Governmental Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension Asset (Liability) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 107 through 118 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The financial statements and schedules listed in the financial section of the table of contents as "other supplemental financial data," the Schedule of Expenditures of Federal and State Awards, as required by Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act in the compliance section of the table of contents, and the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental financial data and the Schedule of Expenditures of Federal and State Awards identified in the preceding paragraph are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or

to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the financial statements and schedules listed as other supplemental financial data and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section of the Comprehensive Annual Financial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2019, on our consideration of Carteret County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carteret County's internal control over financial reporting and compliance.

RSM US LLP

Morehead City, North Carolina
January 29, 2019

Management Discussion and Analysis



Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2018

As management of the County, we offer readers of Carteret County's (the "County") financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

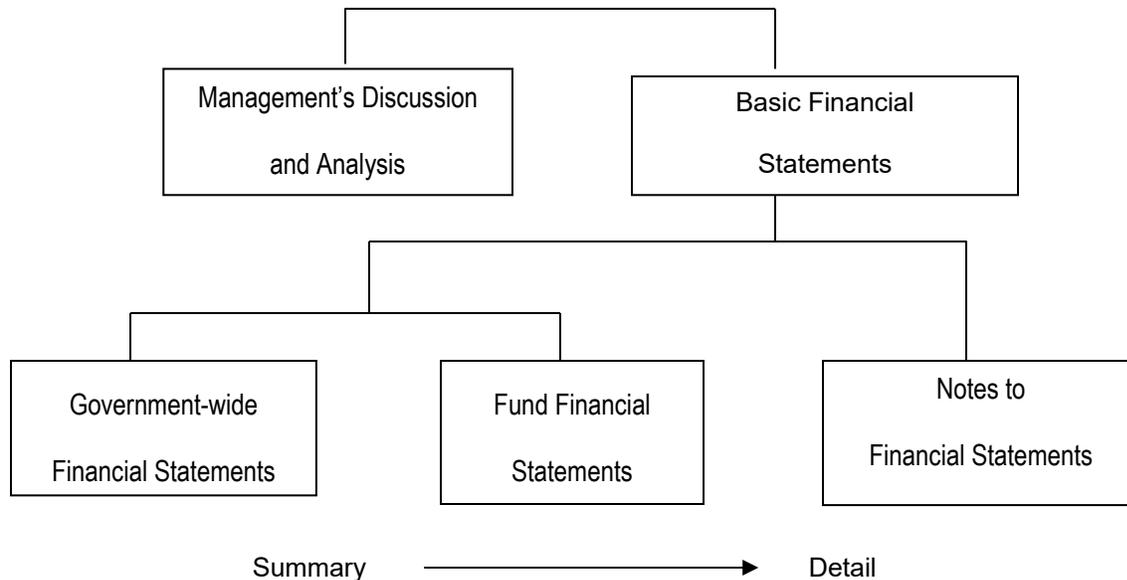
- The assets and deferred outflows of resources of Carteret County (primary government) were greater than its liabilities and deferred inflows of resources at the close of the fiscal year by \$59,792,651 (*net position*).
- The government's total net position increased by \$4,821,271, due to revenues such as sales taxes and charges for services exceeded projections, and expenses were less than projected.
- As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$71,611,987, after a net increase in fund balance of \$2,441,316. Approximately 61.15 percent of this total amount or \$43,792,783 is restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$29,046,079 or 36.88 percent of total General Fund expenditures, excluding other financing uses, for the fiscal year.
- The County's total long-term debt (Figure 5) decreased by \$7,806,890. The County retired debt principal and decrease in net pension liability that resulted in a net decrease in long term debt.
- The County maintained its AA+ (Standard & Poor's and Fitch Ratings) and Aa1 (Moody's Investor Services) for the seventh year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short- and long-term information about the County's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statement.

The next section of the basic financial statements is the **notes**. The notes to financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information**. This section contains funding information about the County's pension and other postemployment benefit plans.

After the required supplemental information, additional **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short- and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) discretely presented component units. The governmental activities include most of the County's basic services such as general administration, human services, education, public safety and public works. Property and other taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water services offered by the County. The final category is the component units. Although legally separate from the County, the ABC Board, Carteret General Hospital, Tourism Development Authority and the Airport are important to the County because the County exercises control over the Boards by appointing their members.

The government-wide financial statements are on pages 30-33 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2018

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The governmental fund financial statements are on pages 34 - 39 of this report.

Proprietary Funds – The County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The proprietary fund financial statements are on pages 40 - 43 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has four agency funds. The fiduciary fund financial statements are on page 44 of this report.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are on pages 45 - 103 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its law enforcement employees. Required supplementary information can be found beginning on page 105 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,792,651 as of June 30, 2018. The County's net position increased by \$4,821,271 for the fiscal year ended June 30, 2018. Net position is reported in three categories: net investment in capital assets of \$27,493,827, restricted net position of \$31,744,580, and unrestricted net position of 554,244.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2018

The net investment in capital assets category is defined as the County's investment in County owned capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities.

Another category of net position is restricted net position. This represents resources that are subject to external restriction on how they may be used. The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligation to citizens and creditors. At June 30, 2018, the unrestricted net position of governmental activities reported a deficit of \$281,156. Of the County's net position, \$31,744,580 represents resources that are subject to external restrictions on how they are to be used.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for the County Board of Education (the "school system") and Carteret Community College. Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds, general obligation debt, and installment debt. The assets are funded by the County; however, the assets are owned and utilized by the school system and the community college, and are reported by those entities. The County, as the debt issuing government, acquires no capital assets; the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$34.11 million of the outstanding debt on the County's financial statements was related to assets included in the school system's and community college's financial statements. However, as the majority of this school system and community college related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 81,422,627	\$ 79,203,438	\$ 1,090,285	\$ 1,095,660	\$ 82,512,912	\$ 80,299,098
Capital assets	23,030,203	22,377,762	6,836,643	7,164,932	29,866,846	29,542,694
Total assets	104,452,830	101,581,200	7,926,928	8,260,592	112,379,758	109,841,792
Total deferred outflows of resources	5,820,817	7,713,640	42,770	60,751	5,863,587	7,774,391
Long-term liabilities						
outstanding	50,459,908	54,213,887	2,403,243	2,532,001	52,863,151	56,745,888
Other liabilities	4,521,867	5,330,013	143,927	151,787	4,665,794	5,481,800
Total liabilities	54,981,775	59,543,900	2,547,170	2,683,788	57,528,945	62,227,688
Total deferred inflows of resources	916,104	414,736	5,645	2,379	921,749	417,115
Net position:						
Net investment in capital assets	22,912,344	22,009,903	4,581,483	4,721,740	27,493,827	26,731,643
Restricted	31,744,580	31,325,245	-	-	31,744,580	31,325,245
Unrestricted (deficit)	(281,156)	(3,998,944)	835,400	913,436	554,244	(3,085,508)
Total net position	\$ 54,375,768	\$ 49,336,204	\$ 5,416,883	\$ 5,635,176	\$ 59,792,651	\$ 54,971,380

Management's Discussion and Analysis (Unaudited)
June 30, 2018

Governmental activities: Governmental activities increased the County's net position by \$4,016,167 from fiscal year 2018. Key elements of this increase are as follows:

- Increases in property tax revenue were approximately \$1.24 million due, and growth in the tax base and the Board of Commissioners increasing some rates in special taxing districts.
- Increases in other taxes which include sales taxes and occupancy tax were approximately \$2.07 million from the prior fiscal year.
- Overall, expenses decreased approximately \$3.09 million from the previous year. The largest area of net decrease was in education, \$1.87 million. This decrease was due to completing capital contributions for school construction in the prior fiscal year. Other expense categories that decreased were human services programs and general government. This occurred in Social Services due to the State paying child care program providers directly versus the funding and expenses passing through the County.
- Some expense categories increased such as public safety, economic and development, and environmental protection.
- Many expense categories were less than projected, such as general government, public safety, transportation, economic and physical development, human services, cultural and recreation, as well as contingency that resulted in an increase in net position.

Business-type activities: Business-type activities decreased net position by \$138,007. Even though revenues were greater than projected, the Board of Commissioners increased user rates 15%, and expenses were less than projected, net position decreased for fiscal year ending June 30, 2018. The primary factor for the decrease was due to depreciation expense and completed plant maintenance for the water system. The County completed a major water system improvement fiscal year ending June 30, 2013, and now those assets are being depreciated.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited)
June 30, 2018

The County's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 7,483,906	\$ 7,469,796	\$ 678,879	\$ 584,344	\$ 8,162,785	\$ 8,054,140
Operating grants and contributions	12,549,708	14,834,495	-	-	12,549,708	14,834,495
Capital grants and contributions	356,952	203,644	-	-	356,952	203,644
General revenues:						
Property taxes	53,338,473	52,093,862	-	-	53,338,473	52,093,862
Other taxes	24,775,357	22,705,181	-	-	24,775,357	22,705,181
Other	2,003,360	1,754,740	9,403	5,429	2,012,763	1,760,169
Total revenues	100,507,756	99,061,718	688,282	589,773	101,196,038	99,651,491
Expenses:						
General government	8,144,384	9,236,447	-	-	8,144,384	9,236,447
Public safety	20,981,474	20,595,208	-	-	20,981,474	20,595,208
Transportation	1,628,539	1,837,842	-	-	1,628,539	1,837,842
Economic and physical development	6,248,400	5,691,825	-	-	6,248,400	5,691,825
Environmental protection	3,835,482	3,671,733	-	-	3,835,482	3,671,733
Human services	15,878,033	16,666,930	-	-	15,878,033	16,666,930
Cultural and recreation	4,159,922	4,222,782	-	-	4,159,922	4,222,782
Education	29,442,864	31,315,293	-	-	29,442,864	31,315,293
Interest on long-term debt	1,284,366	1,452,491	-	-	1,284,366	1,452,491
Water	-	-	1,259,889	1,118,055	1,259,889	1,118,055
Total expenses	91,603,464	94,690,551	1,259,889	1,118,055	92,863,353	95,808,606
Increase (decrease) in net position before transfers	8,904,292	4,371,167	(571,607)	(528,282)	8,332,685	3,842,885
Transfers	(433,600)	(355,000)	433,600	355,000	-	-
Increase (decrease) in net position	8,470,692	4,016,167	(138,007)	(173,282)	8,332,685	3,842,885
Net position, beginning, previously reported	49,336,204	45,691,074	5,635,176	5,808,458	54,971,380	51,499,532
Restatement - accounting change	(3,431,128)	(371,037)	(80,286)	-	(3,511,414)	(371,037)
Net position, July 1, restated	45,905,076	45,320,037	5,554,890	5,808,458	51,459,966	51,128,495
Net position, June 30	\$ 54,375,768	\$ 49,336,204	\$ 5,416,883	\$ 5,635,176	\$ 59,792,651	\$ 54,971,380

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

Carteret County, North Carolina

Management's Discussion and Analysis (Unaudited) June 30, 2018

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$29,046,079, while total fund balance reached \$61,837,568. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The County currently has an unassigned fund balance of 36.88 percent of general fund expenditures, while total fund balance represents 78.53 percent of that same amount. The County's unassigned fund balance increased \$419,649. When the budget was adopted, fund balance was planned as the funding source for many capital projects and improvements for public schools, community college, and county. However, revenues exceeded estimates and expenditures were less than estimated and that resulted in unassigned fund balance increase. Revenues exceeded budgeted amounts by approximately \$1.16 million, with most of the amount derived from sales taxes, permits and fees, sales and services, and property taxes. In addition to revenues exceeding the budget, many function level expenditures were less than the budget amount by approximately \$5.38 million. Human services, economic development, public safety, and general government functions had the greatest amounts coming in under budget.

At June 30, 2018, the governmental funds of the County reported a combined fund balance of \$71,611,987, a \$2,441,316 increase from last year. The primary reason for this increase is due to the increases in restricted fund balances such as restricted for beach nourishment in the General Fund that was offset by spending restricted fund balances in special revenue and capital funds.

General Fund Budgetary Highlights

During fiscal year 2018, the County's financial picture was good. Revenues were more than budgeted by 1,156,279. Ad valorem taxes, fees, sales and services, and sales taxes revenues made up most of the positive variance. In addition, interest and miscellaneous exceeded the budget amounts as well. Through conservative management and prioritizing our expenditures and capital outlay, the County finished the year in sound financial condition.

The County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; 3) increases in appropriations that become necessary to maintain services; and 4) to increase debt service for refunding existing debt. Total amendments to the General Fund increased estimated revenues by \$384,678 and expenditure appropriations by \$2,376,093. The appropriations increase was mostly due to the increases in general government, public safety, economic and physical development, and the County's human services departments.

The County's expenditures were less than the budgeted amount by \$5.38 million, and most of the savings were in the human services programs of \$3.46 million, public safety programs of \$.67 million, as well as \$.87 million in general government, economic and physical development, transportation, environmental protection, debt service, and culture and recreation.

Carteret County, North Carolina

**Management’s Discussion and Analysis (Unaudited)
June 30, 2018**

Proprietary Funds. The County’s proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year was \$835,400. Expenses were less than projected; however, net position decreased due to depreciation expense and plant maintenance. As in previous years, the Water Fund is not self-supporting and relies on the water taxing district revenues to transfer into the Water Fund. In fiscal year 2018, \$433,600 was transferred from the water taxing district, \$78,600 more than the previous year. The transfer increase was necessary due to plant maintenance needs.

Capital Asset and Debt Administration

Capital assets: The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$29,866,846 (net of accumulated depreciation). These assets include land, buildings, automotive equipment, office and other equipment, and water plant and lines.

Major capital asset transactions during the year include:

- Park improvements
- Purchase of vehicles in departments including six Sheriff Department vehicles
- Technology equipment
- Construction in progress was design services for the County general services / public works facility.

The County's Capital Assets

Figure 4

Additional information on the County's capital assets can be found in Note 5 of the basic financial statements.

Carteret County's Capital Assets (net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 5,225,877	\$ 5,090,253	\$ 222,608	\$ 222,608	\$ 5,448,485	\$ 5,312,861
Buildings	6,337,197	6,978,574	1,083,180	1,153,822	7,420,377	8,132,396
Water lines	-	-	5,485,212	5,762,761	5,485,212	5,762,761
Vehicles	1,555,351	1,155,614	35,632	6,095	1,590,983	1,161,709
Equipment	1,115,675	1,109,866	10,011	19,646	1,125,686	1,129,512
Other improvements	4,520,755	5,005,129	-	-	4,520,755	5,005,129
Leasehold improvements	1,563,454	1,692,975	-	-	1,563,454	1,692,975
Construction in progress	2,711,894	1,345,351	-	-	2,711,894	1,345,351
Total	\$ 23,030,203	\$ 22,377,762	\$ 6,836,643	\$ 7,164,932	\$ 29,866,846	\$ 29,542,694

Carteret County, North Carolina

**Management’s Discussion and Analysis (Unaudited)
June 30, 2018**

General Obligation, Capital Leases and Installment Notes Payable

Long-Term Debt. As of June 30, 2018, the County had total general obligation bonded debt outstanding of \$25,725,000, all of which is debt backed by the full faith and credit of the County. All other debt is covered by pledged collateral and is subject to appropriation. A summary of total long-term debt is shown in Figure 5.

Figure 5

	Carteret County's Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 25,725,000	\$ 29,410,000	\$ -	\$ -	\$ 25,725,000	\$ 29,410,000
Certificate of participation	1,730,000	2,175,000	-	-	1,730,000	2,175,000
Revenue bond	-	-	980,000	997,000	980,000	997,000
Bond premiums	2,131,480	2,417,445	-	-	2,131,480	2,417,445
Installment note payable	6,850,875	8,382,789	1,275,160	1,446,192	8,126,035	9,828,981
Compensated absences	1,532,578	1,370,858	15,946	20,924	1,548,524	1,391,782
Net pension liability (LGERs)	4,235,757	6,103,441	47,978	67,885	4,283,735	6,171,326
Total pension liability (LEOSSA)	1,108,206	968,325	-	-	1,108,206	968,325
Net OPEB obligation	7,146,012	7,229,896	84,159	80,286	7,230,171	7,310,182
Total long-term debt	\$ 50,459,908	\$ 58,057,754	\$ 2,403,243	\$ 2,612,287	\$ 52,863,151	\$ 60,670,041

The County’s total debt decreased \$7,806,890 during the past fiscal year. The decrease is due to retiring debt principal and decrease in net pension liability (LGERs).

The County’s most recent bond ratings are shown below:

Moody’s Investor Services	Aa1
Standard & Poor’s	AA+
Fitch IBCA	AA+

These bond ratings are a clear indication of the sound financial condition of the County. This achievement is a primary factor in keeping interest costs low on the County’s outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin at June 30, 2018, for the County is \$1,154,998,026.

Additional information regarding the County’s long-term debt can be found in Note 9 on pages 70 - 79 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County. On June 30, 2018, the unemployment rate for the County averaged 4.35%, compared to the 4.83% for fiscal year 2017. These rates are slightly lower than the state’s average unemployment rate of 4.43% for fiscal year 2018. The County is seeing modest residential and commercial development. In addition, the County is realizing increases in sales tax revenues. This modest growth in development combined with other revenue increases, has allowed the County to continue meeting its capital needs and demands for services with the no property tax increase in the fiscal year ending June 30, 2019. The County adopted an ad valorem tax rate of \$.31 cents per \$100 assessed value in fiscal year 2019.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: The County has approved a \$91.96 million general fund budget for fiscal year 2019, which represents a \$1.30 million or 1.39% decrease from fiscal year 2018 budget. The net decrease in the budget is primarily due to the fulfilling various capital funding commitments, and the State remitting child care provider payments directly to the providers instead of remitting to the County; as a result, human services funding decreased. The approved budget increased funding in public safety and education. In addition, the Board appropriated funding for staff performance based pay increases.

In the budget, the County's Board of Commissioners maintained the General Fund 31 cent ad valorem property tax rate per \$100 assessed valuation. Current year tax revenues are projected to generate \$45.44 million. Due to growth in sales tax revenue, the County budgeted an 11.94% increase that generates approximately \$15.23 million in revenue. All revenues are budgeted conservatively, and sales and services and fees are budgeted with small growth from the previous fiscal year. The fiscal year 2019 General Fund budgets approximately \$5.32 million fund balance appropriation. This amount of fund balance is primarily due to funding public school and community college capital, as well as county capital improvements and large building maintenance needs.

Education is the largest service area in terms of its portion of total expenditures. Capital and operating education expenditures total \$29.94 million or 32.5% of the fiscal year 2019 budget. This area includes funding for the public school system and the Carteret County Community College.

Business Activities: In fiscal year 2013, the County completed its \$3.51 million construction project to enhance and improve the County's water treatment system. The improvements constructed elevated water storage tanks, a booster pump station, and water plant upgrades; as a result of this improvement, the County does not have any large projects in the next several years. For FY19, the Water Fund adopted budget is \$1,080,000 for operations, debt service and equipment. The adopted budget decreased funding \$82,600 due to completed system maintenance in FY18. FY19 annual debt service is approximately \$252,080.

The adopted Water Fund budgets \$675,000 user fee revenue and does not increase user rates. User rates were increased 15% in FY18. The budget includes a \$400,000 transfer from the Water Taxing District Special Revenue Fund. The transfer is \$33,600 less than FY18.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Assistant County Manager, Finance, Carteret County, 302 Courthouse Square, Beaufort, NC 28516.



Basic Financial Statements

Government – Wide Financial Statements

Fund Financial Statements

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information



Carteret County, North Carolina

Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,096,884	\$ 980,626	\$ 6,077,510
Investments	58,879,956	-	58,879,956
Receivables (net)	13,944,647	65,727	14,010,374
Due from component unit	173,460	-	173,460
Inventories	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	1,643,839	43,932	1,687,771
Investments	1,523,498	-	1,523,498
Net pension asset	160,343	-	160,343
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	7,937,771	222,608	8,160,379
Other capital assets, net of depreciation	15,092,432	6,614,035	21,706,467
Total capital assets	23,030,203	6,836,643	29,866,846
Total assets	104,452,830	7,926,928	112,379,758
Deferred Outflows of Resources	5,820,817	42,770	5,863,587
Liabilities			
Accounts payable and accrued expenses	4,187,829	32,279	4,220,108
Accrued interest payable	334,038	7,848	341,886
Customer deposits	-	103,800	103,800
Due to primary government	-	-	-
Long-term liabilities:			
Due within one year	6,471,070	204,348	6,675,418
Due in more than one year	43,988,838	2,198,895	46,187,733
Total long-term liabilities	50,459,908	2,403,243	52,863,151
Total liabilities	54,981,775	2,547,170	57,528,945
Deferred Inflows of Resources	916,104	5,645	921,749
Net Position			
Net investment in capital assets	22,912,344	4,581,483	27,493,827
Restricted for:			
Public Safety	3,598,911	-	3,598,911
Economic Development	20,152,414	-	20,152,414
Cultural and Recreation	33,898	-	33,898
Register of Deeds	203,560	-	203,560
Human Services	481,368	-	481,368
Education	104,257	-	104,257
Stabilization by State Statute	7,170,172	-	7,170,172
Other purposes	-	-	-
Unrestricted (deficit)	(281,156)	835,400	554,244
Total net position	\$ 54,375,768	\$ 5,416,883	\$ 59,792,651

See Notes to Financial Statements.

Component Units				
Beaufort- Morehead City Airport Authority	Carteret County Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board	
\$ 1,022,398	\$ 510,693	\$ 50,843,040	\$ 1,613,673	
-	-	67,092,997	-	
17,988	938,689	33,346,923	-	
-	-	-	-	
-	-	3,758,328	1,421,309	
1,108	-	3,761,800	29,826	
23,162	-	3,659,344	-	
-	-	-	-	
-	-	-	-	
-	-	1,810,640	-	
4,814,902	-	3,529,697	1,125,478	
7,669,504	334,811	79,375,759	1,957,501	
12,484,406	334,811	82,905,456	3,082,979	
13,549,062	1,784,193	247,178,528	6,147,787	
-	-	-	137,776	
29,258	256,929	18,942,401	1,592,499	
-	-	-	-	
-	-	-	-	
-	-	-	173,460	
18,477	2,897	70,509	-	
55,431	8,689	-	135,203	
73,908	11,586	70,509	135,203	
103,166	268,515	19,012,910	1,901,162	
17,785	-	12,305,052	3,827	
12,410,498	334,811	82,834,947	3,082,979	
-	-	-	168,339	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
17,988	938,689	-	-	
-	242,178	8,928,397	436,661	
999,625	-	124,097,222	692,595	
\$ 13,428,111	\$ 1,515,678	\$ 215,860,566	\$ 4,380,574	

Carteret County, North Carolina

Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 8,144,384	\$ 1,896,230	\$ -	\$ -
Public safety	20,981,474	276,373	892,343	-
Transportation	1,628,539	157,348	1,092,649	274,956
Economic and physical development	6,248,400	862,490	342,557	22,481
Environmental protection	3,835,482	3,451,334	174,854	-
Human services	15,878,033	489,837	9,272,539	-
Cultural and recreation	4,159,922	350,294	-	5,500
Education	29,442,864	-	32,605	54,015
Interest on long-term debt	1,284,366	-	742,161	-
Total governmental activities	91,603,464	7,483,906	12,549,708	356,952
Business-type activities:				
Water	1,259,889	678,879	-	-
Total primary government	\$ 92,863,353	\$ 8,162,785	\$ 12,549,708	\$ 356,952
Component units:				
Airport Authority	\$ 521,540	\$ 174,957	\$ 117,290	\$ 884,236
Tourism Development Authority	3,665,614	3,743,798	142,857	-
Hospital	143,829,168	158,807,212	3,567,532	13,590
ABC Board	11,169,865	11,393,835	-	-
Total component units	\$ 159,186,187	\$ 174,119,802	\$ 3,827,679	\$ 897,826
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes				
Unrestricted intergovernmental				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Total general revenues excluding transfers				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning, previously reported				
Restatement				
Net position, beginning restated				
Net position, ending				

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	Carteret County			
			Beaufort - Morehead City Airport Authority	Tourism Development Authority	Carteret County General Hospital Corporation	Carteret County ABC Board
\$ (6,248,154)	\$ -	\$ (6,248,154)				
(19,812,758)	-	(19,812,758)				
(103,586)	-	(103,586)				
(5,020,872)	-	(5,020,872)				
(209,294)	-	(209,294)				
(6,115,657)	-	(6,115,657)				
(3,804,128)	-	(3,804,128)				
(29,356,244)	-	(29,356,244)				
(542,205)	-	(542,205)				
(71,212,898)	-	(71,212,898)				
-	(581,010)	(581,010)				
(71,212,898)	(581,010)	(71,793,908)				
			\$ 654,943	\$ -	\$ -	\$ -
			-	221,041	-	-
			-	-	18,559,166	-
			-	-	-	223,970
			654,943	221,041	18,559,166	223,970
53,338,473	-	53,338,473	-	-	-	-
17,148,416	-	17,148,416	-	-	-	-
7,626,941	-	7,626,941	-	-	-	-
1,084,553	-	1,084,553	-	-	-	-
633,393	9,403	642,796	7,397	9,012	1,165,879	-
285,414	-	285,414	-	3,370	-	215,970
80,117,190	9,403	80,126,593	7,397	12,382	1,165,879	215,970
(433,600)	433,600	-	-	-	-	-
79,683,590	443,003	80,126,593	7,397	12,382	1,165,879	215,970
8,470,692	(138,007)	8,332,685	662,340	233,423	19,725,045	439,940
49,336,204	5,635,176	54,971,380	12,765,771	1,282,255	196,135,521	3,940,634
(3,431,128)	(80,286)	(3,511,414)	-	-	-	-
45,905,076	5,554,890	51,459,966	12,765,771	1,282,255	196,135,521	3,940,634
\$ 54,375,768	\$ 5,416,883	\$ 59,792,651	\$ 13,428,111	\$ 1,515,678	\$ 215,860,566	\$ 4,380,574

Carteret County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2018

	Governmental Fund Types			
	Major Fund		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
Assets				
Cash and investments	\$ 56,297,777	\$ -	\$ 7,679,063	\$ 63,976,840
Receivables, net	10,104,236	1,236,457	1,552,827	12,893,520
Restricted cash and investments	1,476,103	-	1,691,234	3,167,337
Due from other funds	614,857	-	-	614,857
Due from component units	173,460	-	-	173,460
Total assets	\$ 68,666,433	\$ 1,236,457	\$ 10,923,124	\$ 80,826,014
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,108,300	\$ 612,018	\$ 467,511	\$ 4,187,829
Due to other funds	-	614,857	-	614,857
Total liabilities	3,108,300	1,226,875	467,511	4,802,686
Deferred Inflows of Resources	3,720,565	-	690,776	4,411,341
Fund balances:				
Restricted:				
Register of Deeds	203,560	-	-	203,560
Recreation Districts	33,898	-	-	33,898
Beach Nourishment	18,631,010	-	-	18,631,010
Stabilization by State Statute	7,170,172	-	-	7,170,172
Sheriff's fund	329,103	-	-	329,103
Health and mental health programs	481,368	-	-	481,368
Public safety	-	-	918,267	918,267
Rescue protection	-	-	862,519	862,519
Fire protection	-	-	1,249,282	1,249,282
Economic development	617,948	1,236,457	264,017	2,118,422
School capital	-	-	139,641	139,641
Committed:				
Taylor Extended Care	-	-	74,436	74,436
School capital	-	-	146,313	146,313
Community College capital	-	-	1,425,000	1,425,000
Assigned:				
Subsequent year's expenditures	5,324,430	-	774,740	6,099,170
County capital	-	-	3,910,622	3,910,622
Unassigned	29,046,079	(1,226,875)	-	27,819,204
Total fund balances	61,837,568	9,582	9,764,837	71,611,987
Total liabilities, deferred inflows of resources and fund balances	\$ 68,666,433	\$ 1,236,457	\$ 10,923,124	\$ 80,826,014

See Notes to Financial Statements.

Carteret County, North Carolina

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances for governmental funds	\$ 71,611,987
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the funds	23,030,203
Net pension asset	160,343
Deferred outflows of resources related to pensions are not reported in the fund statements	3,596,247
Deferred outflows of resources related to OPEB are not reported in the fund statements	341,992
Deferred inflows of resources for taxes and special assessments receivable	4,020,454
Pension related deferrals	(199,575)
OPEB related deferrals	(325,642)
Accrued interest receivable deferred in the fund statements	1,051,127
Accrued interest payable on long-term debt is not a current financial obligation and, therefore, is not in the funds	(334,038)
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore are not reported in the funds	(50,459,908)
Charges related to advance refunding bond issue	1,882,578
Net position of governmental activities	<u>\$ 54,375,768</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2018

	Governmental Fund Types			
	Major Funds		Total	Total
	General	Occupancy Tax Fund	Non-Major Funds	Governmental Funds
Revenues				
Ad valorem taxes	\$ 46,488,835	\$ -	\$ 6,485,226	\$ 52,974,061
Other taxes	15,163,497	7,578,006	2,033,854	24,775,357
Permits and fees	3,777,112	-	-	3,777,112
Intergovernmental	12,918,381	-	498,153	13,416,534
Sales and services	4,202,268	-	-	4,202,268
Interest	550,755	119	82,519	633,393
Miscellaneous	204,919	-	5,500	210,419
Total revenues	83,305,767	7,578,125	9,105,252	99,989,144
Expenditures				
Current:				
General government	7,741,029	-	-	7,741,029
Public safety	11,950,265	-	8,480,267	20,430,532
Transportation	1,439,418	-	-	1,439,418
Environmental protection	3,854,481	-	-	3,854,481
Economic and physical development	2,483,058	3,743,798	23,885	6,250,741
Human services	15,286,265	-	-	15,286,265
Culture and recreation	3,591,363	-	-	3,591,363
Education	25,398,749	-	-	25,398,749
Capital outlay	-	-	6,118,397	6,118,397
Debt service:				
Principal retirement	5,661,914	-	-	5,661,914
Interest and fees	1,341,339	-	-	1,341,339
Total expenditures	78,747,881	3,743,798	14,622,549	97,114,228
Excess (deficiency) of revenues over (under) expenditures	4,557,886	3,834,327	(5,517,297)	2,874,916
Other financing sources (uses)				
Transfer in	3,829,532	-	5,399,417	9,228,949
Transfers out	(5,395,804)	(3,829,532)	(437,213)	(9,662,549)
Total other financing sources (uses)	(1,566,272)	(3,829,532)	4,962,204	(433,600)
Net change in fund balance	2,991,614	4,795	(555,093)	2,441,316
Fund balances				
Beginning	58,845,954	4,787	10,319,930	69,170,671
Ending	\$ 61,837,568	\$ 9,582	\$ 9,764,837	\$ 71,611,987

See Notes to Financial Statements.

Carteret County, North Carolina

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities - Governmental Funds
Year Ended June 30, 2018**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 2,441,316
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	516,817
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is a decrease to net position.	135,624
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,409,640
OPEB benefit payments and administration cost in the current fiscal year are not included in the Statement of Activities	301,484
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	364,412
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of bond premiums and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	3,301,399
Total changes in net position of governmental activities	<u>\$ 8,470,692</u>

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	\$ 46,217,000	\$ 46,217,000	\$ 46,488,835	\$ 271,835
Other taxes	13,612,000	13,612,000	15,163,497	1,551,497
Permits and fees	2,853,100	3,086,435	3,777,112	690,677
Intergovernmental	14,607,985	14,813,328	12,918,381	(1,894,947)
Sales and services	4,140,935	4,082,935	4,202,268	119,333
Interest	250,000	250,000	550,755	300,755
Miscellaneous	83,790	87,790	204,919	117,129
Total revenues	81,764,810	82,149,488	83,305,767	1,156,279
Expenditures				
Current:				
General government	8,100,000	8,230,200	7,741,029	489,171
Public safety	12,064,605	12,624,330	11,950,265	674,065
Transportation	1,396,710	1,536,466	1,439,418	97,048
Environmental protection	3,960,910	4,059,716	3,854,481	205,235
Economic and physical development	2,243,675	2,598,912	2,483,058	115,854
Human services	18,435,495	18,748,782	15,286,265	3,462,517
Culture and recreation	3,673,605	3,727,308	3,591,363	135,945
Education	24,753,465	25,478,844	25,398,749	80,095
Debt service:				
Principal retirement	5,773,500	5,773,500	5,661,914	111,586
Interest and fees	1,354,300	1,354,300	1,341,339	12,961
Total expenditures	81,756,265	84,132,358	78,747,881	5,384,477
Revenues over (under) expenditures	8,545	(1,982,870)	4,557,886	6,540,756
Other financing sources (uses)				
Transfers in	3,642,500	3,895,000	3,829,532	(65,468)
Transfers out	(4,776,000)	(5,395,804)	(5,395,804)	-
Contingency reserves	(4,160,045)	(3,733,231)	-	3,733,231
Appropriated fund balance	5,285,000	7,216,905	-	(7,216,905)
Total other financing sources (uses)	(8,545)	1,982,870	(1,566,272)	(3,549,142)
Net change in fund balance	\$ -	\$ -	2,991,614	\$ 2,991,614
Fund balances				
Beginning			58,845,954	
Ending			<u>\$ 61,837,568</u>	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Occupancy Tax Fund
Year Ended June 30, 2018

	Occupancy Tax Fund			Variance With Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Other taxes:				
Occupancy taxes	\$ 7,200,000	\$ 7,700,000	\$ 7,561,180	\$ (138,820)
Occupancy taxes, penalties and interest	3,000	3,000	16,826	13,826
Interest	-	-	119	119
Total revenues	7,203,000	7,703,000	7,578,125	(124,875)
Expenditures				
Economic and physical development:				
Tourism:				
Tourism Development Authority	3,560,500	3,808,000	3,743,798	64,202
Total expenditures	3,560,500	3,808,000	3,743,798	64,202
Revenues over expenditures	3,642,500	3,895,000	3,834,327	(60,673)
Other financing uses				
Transfers out	(3,642,500)	(3,895,000)	(3,829,532)	65,468
Total other financing uses	(3,642,500)	(3,895,000)	(3,829,532)	65,468
Revenues over expenditures and other uses	\$ -	\$ -	4,795	\$ 4,795
Fund balances				
Beginning			4,787	
Ending			\$ 9,582	

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Fund Net Position - Proprietary Fund
June 30, 2018

	Water Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 980,626
Receivables, net	65,727
Restricted cash and cash equivalents	43,932
Total current assets	1,090,285
Noncurrent assets	
Capital assets:	
Land, improvements, and construction in progress	222,608
Other capital assets, net of depreciation	6,614,035
Total capital assets	6,836,643
Total noncurrent assets	6,836,643
Total assets	7,926,928
Deferred outflows of resources	42,770
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	32,279
Customer deposits	103,800
Accrued interest payable	7,848
Current portion of long-term liabilities	204,348
Total current liabilities	348,275
Noncurrent liabilities	
Installment loan payable and long-term liabilities	2,066,758
Net pension liability	47,978
Total OPEB liability	84,159
Total noncurrent liabilities	2,198,895
Total liabilities	2,547,170
Deferred inflows of resources	5,645
Net Position	
Net investment in capital assets	4,581,483
Unrestricted	835,400
Total net position	\$ 5,416,883

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2018

	Water Fund
Operating revenues	
Charges for services	\$ 674,952
Other operating revenues	3,927
Total operating revenues	678,879
Operating expenses	
Water plant operations	828,647
Depreciation	366,186
Total operating expenses	1,194,833
Operating loss	(515,954)
Nonoperating revenues (expenses)	
Interest revenue	9,403
Interest expense	(65,056)
Total nonoperating revenues (expenses)	(55,653)
Loss before contributions and transfers	(571,607)
Transfers in	433,600
Change in net position	(138,007)
Total net position	
Net position, previously reported	5,635,176
Restatement	(80,286)
Beginning, restated	5,554,890
Ending	\$ 5,416,883

See Notes to Financial Statements.

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2018

	Water Fund
Cash flows from operating activities	
Cash received from customers	\$ 670,588
Cash paid for goods and services	(542,603)
Cash paid to employees for services	(296,432)
Customer deposits received	3,615
Other operating revenues	3,927
Net cash used by operating activities	(160,905)
Cash flows from noncapital financing	
Transfers in	433,600
Net cash provided by noncapital financing	433,600
Cash flows from capital and related financing activities	
Principal paid on installment debt	(188,032)
Interest paid on installment debt	(65,907)
Capital purchase	(37,898)
Net cash used by capital and related financing activities	(291,837)
Cash flows provided by investing activities	
Interest on investments	9,403
Net decrease in cash and cash equivalents	(9,739)
Cash and cash equivalents:	
Beginning	1,034,297
Ending (including restricted of \$43,932)	\$ 1,024,558

(Continued)

Carteret County, North Carolina

Statement of Cash Flows - Proprietary Fund (Continued)
Year Ended June 30, 2018

	Water Fund
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (515,954)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	366,186
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Increase in accounts receivable	(4,364)
Increase in accounts payable and accrued liabilities	(10,623)
Increase in customer deposits	3,615
Increase in accrued vacation pay	(4,978)
Decrease in deferred outflows of resources - pensions	22,009
Increase in deferred outflows of resources - OPEB	(4,028)
Decrease in net pension liability	(19,907)
Increase in total OPEB liability	3,873
Decrease in deferred inflows of resources - pensions	(569)
Increase in deferred inflows of resources - OPEB	3,835
Net cash used by operating activities	\$ (160,905)

See Notes to Financial Statements.

Carteret County, North Carolina

**Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 120,858</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 120,858</u>

See Notes to Financial Statements.

Notes to Financial Statements

These notes are intended to communicate information necessary for a fair presentation of financial position and changes in financial position that are not readily apparent from or cannot be included in the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies

Nature of operations

Carteret County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under General Statute 153A-10. The County is located on the coast of North Carolina, with its seat of government in the Town of Beaufort. The County is responsible for providing a full range of governmental services, including police and fire protection to residents in unincorporated areas of the County, health and social services, recreational programs, and operational and capital funding support for the public school systems.

Reporting entity

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The discretely presented component units presented below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

Beaufort – Morehead City Airport Authority (“Airport”): The Airport is an entity created by resolution of the Carteret County Board of Commissioners for the purpose of management and maintenance of the airport located in Carteret County. The County appoints a majority of the Airport board members. The Airport also receives a majority of its revenue from County sources. The Airport has a June 30 year-end.

Carteret County Tourism Development Authority (“TDA”): The TDA is an entity created by resolution of the Carteret County Board of Commissioners for the purpose of management of the promotion and development of tourism in Carteret County. The TDA Board is governed by a board appointed by the County Commissioners. The County does not have authority to designate management of the TDA nor remove board members of the TDA. The TDA receives substantially all its revenue from an occupancy tax implemented, and revocable, by the County Commissioners and has a June 30 year-end.

Carteret County General Hospital Corporation (“Hospital”): The Hospital is a public hospital operated by a nonprofit corporation, providing healthcare to residents of Carteret County. The Hospital leases its existing facilities and all future improvements from the County. The County appoints the Hospital's governing board and can remove board members at will. The Hospital must receive approval from the County Commissioners before issuing debt. The Hospital has a September 30 year-end.

Carteret County Alcoholic Beverage Control Board (“ABC Board”): The ABC Board is governed by a board appointed by the County Commissioners. The ABC Board is required by State statute to distribute surpluses to the General Fund of the County. The ABC Board has a June 30 year-end.

Complete financial statements for the individual component units may be obtained at the administrative offices of those entities.

- Beaufort-Morehead City Airport Authority, 180 Airport Road, Beaufort, NC 28516
- Carteret County Tourism Development Authority, 3409 Arendell Street, Morehead City, NC 28557
- Carteret County General Hospital Corporation, 3500 Arendell Street, Morehead City, NC 28557
- Carteret County ABC Board, 410 Live Oak Street, Beaufort, NC 28516

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

Carteret County Industrial Facility and Pollution Control Financing Authority (“Authority”): The Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances of its own; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements.

The following corporation is included as a blended component unit:

County of Carteret Public Facilities Financing Corporation (“Corporation”): The Corporation is a nonprofit corporation. The Corporation was organized and shall be operated exclusively for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to, purchase and sale, construction and/or lease of real estate and improvements, facilities, and equipment. The Corporation has a three-member board of directors who are established through the bylaws of the Articles of Incorporation and will consist of the County Manager, Deputy Clerk to the Board, and Chair of the County Commissioners. The County has entered into Construction and Repayment Contracts with the Corporation. The Corporation's assets, fund balance, revenue and expenditures have been included in the County Capital Improvements Fund as of and for the year ended June 30, 2015 and subsequent years.

Summary of significant accounting policies

The basic financial statements of Carteret County, North Carolina have been prepared in conformity with GAAP as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Basis of presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government net position (the “County”) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

Fund financial statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds, as applicable.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items, such as investment earnings, are ancillary activities.

The County reports the following major governmental funds:

General Fund: This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Occupancy Tax Fund: This fund is used to account for financial resources generated from tax collected on hotel and motel room rentals within the County that is used to help promote tourism. The County has elected to report this fund as a major fund.

The County reports the following major enterprise fund:

Water Fund: This fund is used to account for the operations of the County's water system.

The County reports the following fiduciary fund types:

Agency Funds: Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: The Social Services Trust Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of various clients; the Sheriff's Department Fund, which accounts for the collection and distribution of assets in conjunction with the clerk of court for judgments and claims that have been assessed; the Deed of Trust Agency Fund, which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis; and the Cooperative Extension Agency Fund, which accounts for program revenue and expenses for the 4 H, Family and Consumer Science and Horticultural Programs.

Non-major Funds: The County maintains fourteen non-major funds. The Emergency Telephone System Fund, Rescue Squad Fund, Fire District Fund, Water Tax District Fund, Salter Path District Beach Nourishment Fund, and the CDBG 2003 Scattered Site Fund, and 2014 Flood Mitigation Fund are reported as non-major special revenue funds. The County Capital Reserve Fund, County Capital Improvements Fund, County Facilities Debt Reserve Fund, School Special Projects Fund, County Construction Projects Fund, 2015 School Bond Project Fund, and Carteret Community College Project Fund are reported as capital projects funds.

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, proprietary, and fiduciary fund financial statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The agency funds have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise fund are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. State shared revenues, sales tax, property taxes, federal grants funding federal mandates, and most donations are examples of non-exchange transactions.

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied, subject to availability.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgets and budgetary accounting: The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted on the modified accrual basis for the general fund, the special revenue funds (excluding 2003 CDBG Scattered Site Program and 2014 Flood Mitigation Fund), the capital projects funds (excluding the County Construction Projects Fund, 2015 School Bond Project Fund, and Carteret Community College Fund) and the Water Operating fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for those capital projects funds and special revenue funds which do not adopt annual budgets and water construction projects. In accordance with the Local Government Budget and Fiscal Control Act, the County follows these procedures in establishing the budgetary data reflected in the financial report:

1. The County Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operational budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance by June 30 each year.

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

The Board of Commissioners may amend the budget ordinance at any time after its adoption as long as the amended ordinance continues to meet the requirements of North Carolina's "Local Government Budget and Fiscal Control Act". No amendment may change the property tax levy unless the Board of Commissioners is so ordered by competent authority. During the year, several supplementary appropriations to the original budget were necessary. Individual amendments to the ordinance were not material in relation to the original appropriations, and all amendments were legally made.

Under State statute, actual expenditures cannot exceed budgetary appropriations at the level at which the budget ordinance is formally approved. The County's budget ordinance authorizes expenditures by department total for the general fund and the special revenue funds, and at the fund level for the capital projects funds. All budgets are fixed in nature. The County Manager is authorized to approve transfers between departments not to exceed \$20,000. Transfers between departments that exceed \$20,000 or any transfers between funds require Board approval. For internal management purposes, the budgets are detailed by line item within each department and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis.

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance

Deposits and investments: All deposits of the County, the Hospital, ABC Board, the TDA, and the Airport are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the Hospital, the ABC Board, the TDA, and the Airport may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County, the Hospital, the ABC Board, the TDA, and the Airport may establish time deposit accounts, such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County and its component units to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust Government Portfolio ("NCCMT").

The majority of the County's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest earnings and investment contracts are reported at amortized cost.

Cash and cash equivalents: The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments of the Water Enterprise Fund in the pool are essentially demand deposits and are considered cash and cash equivalents for purposes of reporting cash flows. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each quarter. The County's component units consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Restricted cash and investments: Certain proceeds of debt issuances are classified as restricted cash and cash equivalents and investments because their use is limited by applicable debt instruments. Additional restricted cash includes rescue and fire districts' cash balances that are completely restricted for rescue and fire district use in the future, compensating cash balance, which offsets fees associated with the County's banking account, USDA revenue bond compliance requires restricted cash, as well as other miscellaneous restricted accounts.

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

Ad valorem taxes receivable: Ad valorem taxes receivable are not recognized as revenue in the governmental fund financial statements because they are not considered to be both “measurable and available”. The receivable amount is reduced by an allowance for doubtful accounts equal to the percent of the original levy, which has normally been written off based on past experience. An amount equal to the net taxes receivable that was not recognized as revenue is shown as a deferred inflow.

The property tax calendar for Carteret County, North Carolina according to North Carolina general statutes 105-347 and 159-13(a) is as follows:

Levy date	July 1
Due date (lien date)	September 1
Past due date	January 6

The taxes for the current fiscal year are generally based on January 1, 2017 assessed values.

Allowances for doubtful accounts: All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Inventories and prepaid items: The inventories of the Hospital and the ABC Board are valued at the lower of cost, on a first-in, first-out (“FIFO”) basis, or net realizable value. The Hospital inventory consists of expendable items, including pharmaceuticals and general supplies, held for sale to patients or consumption. The Hospital inventories are recorded as expenses when consumed rather than when purchased. The ABC Board inventory consists of alcoholic beverages held for sale.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County and Airport utilize the consumption method for prepaid items.

Capital assets: Capital assets of the County are not capitalized in the governmental fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and capitalized and reported in the government-wide financial statements as capital assets of governmental activities. Capital assets are capitalized in proprietary fund financial statements and in business-type activities of the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The County has no significant amount, other than the water system, of public domain or infrastructure capital assets. Minimum capitalization costs are as follows: buildings, improvements, and infrastructure, \$50,000; furniture and equipment, \$5,000; and vehicles, \$10,000. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend assets’ lives are not capitalized.

The County holds title to certain Carteret County Board of Education (“Board of Education”) properties, which have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Board of Education. Revenues and expenditures related to these construction projects are reflected in governmental funds financial statements of Carteret County during construction.

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

Capital assets of the Hospital, the ABC Board, the Airport, and the TDA are recorded at original cost at the time of acquisition. Capital assets donated to these entities for operations are recorded at the estimated fair market value at the date of donation or acquisition value after July 1, 2015. Any interest incurred during the construction phase of the capital assets of the Hospital or the ABC Board is reflected in the capitalized value of the asset constructed. The County owns legal title to all Hospital facilities and improvements under a lease agreement, which allows the Hospital unrestricted use of those facilities. The County's policy is to report these assets in the Hospital component unit.

Capital assets of the County, Hospital, and the ABC Board are depreciated (expensed) over their estimated useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 20 years
Improvements other than building	5 - 20 years

Capital assets of the TDA are depreciated on a straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements	25 years
Furniture and equipment	10 - 15 years
Vehicles	6 years
Computer equipment	3 years

The Airport's capital assets are depreciated using the straight-line method over the following estimated useful lives: buildings and improvements and infrastructure, 30 years; furniture and equipment, 10 years; vehicles, 7 years; and computer equipment and software, 5 years.

Deferred outflows/inflows of resources: In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion- a charge on refunding, pension and OPEB related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of net position and balance sheet can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category – prepaid taxes, property taxes receivable, and other pension and OPEB related deferrals.

Compensated absences: The vacation policies of the County, the Hospital, the TDA, and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary fund financial statements, the TDA, the Hospital, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned and are accounted for on a last-in, first-out ("LIFO") basis, assuming that employees are taking time as it is earned.

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

The sick leave policies of the County, the Airport, the TDA, the Hospital, and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Long-term obligations: In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the governmental fund financial statements, the face amount of debt issued is reported as another financing source and is not considered a fund liability.

In accordance with GASB Statement No. 23, as amended by GASB Statement No. 63, an unamortized charge, the difference between the reacquisition price and the net carrying amount of old debt on refunding of debt, is deferred and amortized to interest expense using the proportionate-to-stated-interest method in governmental activities. The unamortized charge is reported as a deferred outflow of resources.

Bond premiums: In the government-wide and proprietary fund financial statements, bond premiums are amortized over the life of the bonds using the proportionate-to-stated-interest method. Long-term debt is reported inclusive of the applicable bond premium. In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums received on debt issuances are reported as other financing sources.

Net position/fund balances:

Net position: Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund balances: In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law. The following are the County's restricted fund balances as of June 30, 2018:

- Restricted for Register of Deeds — portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.
- Restricted for Recreation Districts — represents amounts restricted for specific recreation purposes.
- Restricted for Beach Nourishment — represents amount reserved for beach nourishment. Restricted for Beach Nourishment includes the amount of accounts receivable at June 30, 2018. This is done due to the great reliance of this restricted amount by the Board of Commissioners and the Beach Commission.

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

- Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. Restricted for Stabilization by State Statute does not include the accounts receivable amount for beach nourishment. Instead, that receivable amount is included in the restricted for beach nourishment. The purpose for that is due to the reliance of the Board of Commissioners and the Beach Commission on the Restricted for Beach Nourishment balance.
- Restricted for Sheriff's fund – represents amounts restricted for expenditures relating to special drug programs and concealed weapons programs.
- Restricted for Health programs – represents amounts restricted to expenditures in specific health programs.
- Restricted for Public Safety – represents amounts restricted to expenditures relating to the Emergency Telephone System Fund.
- Restricted for Rescue Protection – portion of fund balance that is restricted by revenue source for rescue protection expenditures.
- Restricted for Fire Protection – portion of fund balance that is restricted by revenue source for fire protection expenditures.
- Restricted for Economic Development – portion of fund balance that can only be used for economic development purposes derived from Industrial Park lot sales and proceeds from the former Eastern Region.
- Restricted for School Capital – portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of Carteret County's Board of Commissioners (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the Board of Commissioners. This action is accomplished by a formal motion and approval vote by a majority of the Board of Commissioners. The following are the County's committed fund balances as of June 30, 2018:

- Committed for School Capital – portion of fund balance that can only be used for school capital projects.
- Committed for Taylor Extended Care – portion of fund balance that can only be used for maintenance of Taylor Extended Care.
- Committed for Community College Capital – portion of fund balance that can only be used for community college capital projects.
- Committed for Special Revenue Funds – portion of fund balance that is appropriated in the next year's budget. The governing budget approves the appropriation.

Assigned Fund Balance - portion of fund balance that the Carteret County governing board has budgeted. Only the governing board (County Board of Commissioners) has authority to assign amounts to a specific purpose, and that requires a majority vote of the governing board. The following are the County's assigned fund balances as of June 30, 2018:

- Subsequent year's expenditures — portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.
- County capital – portion of fund balance that has been budgeted by the board for future County capital improvements.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

Carteret County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

Carteret County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that requires the County to maintain a 15% unassigned fund balance in the General Fund. The General Fund is the only governmental fund where it is appropriate to report a positive unassigned fund balance amount.

Defined Benefit Pension Plans: The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$17,236,219) consists of several elements as follows:

Carteret County, North Carolina

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 60,373,849
Less accumulated depreciation	<u>37,343,646</u>
Net capital assets	23,030,203
Net pension asset	160,343
Deferred outflows of resources related to pensions are not reported in the fund statements	3,596,247
Deferred outflows of resources related to OPEB are not reported in the fund statements	341,992
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not a current financial resources	1,882,578
Accrued interest receivable	1,051,127
Deferred inflows of resources reported in the fund statements, but not in the government-wide statements	4,020,454
Pension related deferrals	(199,575)
OPEB related deferrals	(325,642)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, COPS and installment financing	(34,305,875)
Premiums on refundings	(2,131,480)
Accrued interest payable	(334,038)
Compensated absences	(1,532,578)
Accrued postemployment and retirement obligations	<u>(12,489,975)</u>
Long-term liabilities	<u>(50,793,946)</u>
Total adjustment	<u><u>\$ (17,236,219)</u></u>

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, and Summary of Significant Accounting Policies (Continued)

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$6,029,376 as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,677,678
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(2,160,861)
Gain on disposed capital assets not recorded in the fund statements statement of net position in the government-wide statements.	135,624
Bond premiums and other similar items, are amortized in the government-wide statements but not in the fund statements because they do not use current resources.	3,107
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,409,640
OPEB benefit payments and administrative cost made in the current fiscal year are not included in the Statement of Activities	301,484
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences	(161,720)
OPEB expense	(613,988)
County's portion of collective pension expense	(1,641,780)
Decrease in interest payable on long-term debt at June 30, 2017	53,866
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in deferred inflows of resources - taxes receivable - as of June 30, 2018	186,902
Increase in accrued interest on taxes receivable for year ended June 30, 2018	177,510
Total adjustment	\$ 6,029,376

Carteret County, North Carolina

Notes to Financial Statements

Note 2. Stewardship, Compliance, and Accountability

Component Unit information:

For the fiscal year ended June 30, 2018, Carteret County expenditures exceeded the authorized appropriations made by the governing board for General Fund Beach Nourishment Department by \$96,598 and the Fire Taxing Districts Special Revenue Fund by \$521.

For the fiscal year ended June 30, 2018, the Airport Authority's transfer of funds from the General Fund to the Grant Project Fund was not authorized in accordance with NC General Statute 159-13(a). The Authority adopted a budget amendment for the project ordinances to authorize the transfer of funds into the Grant Project Fund; however, a corresponding budget amendment authorizing the transfer from the General Fund was not adopted.

The Airport Authority is in violation of NC General Statute 159-29, as the authority by not having a financial representative individually bonded for an amount no less than \$50,000.

For the ABC Board for the fiscal year ended June 30, 2018, the expenditures made in the Proprietary Fund exceeded the authorized appropriations made by the governing board for taxes based on revenues by \$458, operating expenses by \$9,873, and distributions by \$343,522.

Note 3. Cash and Investments

Cash on hand:

The County had \$2,220 in petty cash on hand at June 30, 2018.

Component unit information:

The Hospital had \$5,606 in cash on hand at September 30, 2017.

Deposits:

All deposits of the County and its component units are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the units' agents in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the units, these deposits are considered to be held by their agents in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the units or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the units under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability and minimum capitalization for each depository that collateralizes public deposits under the Pooling Method. The County and its component units do not have formal policies regarding custodial credit risk for deposits and rely on the State Treasurer to monitor those financial institutions. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the County's unrestricted and restricted deposits, excluding petty cash and agency fund deposits had a carrying amount of \$7,763,061 and a bank balance of \$8,534,879. Of the bank balance, \$352,132 was covered by federal depository insurance and \$8,182,747 was covered by collateral held under the Pooling Method. Restricted cash deposits, excluding agency funds, in the amount of \$1,687,771 are as follows: held in noninterest-bearing deposits for banking services in the amount of

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

\$34,881, \$21,981 for capital projects, \$1,586,977 is restricted for fire and rescue special taxing districts, and \$43,932 in the Water Fund is restricted in accordance with the County's USDA revenue bond requirements.

At June 30, 2018, the County's agency fund deposits had a carrying amount of \$120,858 and a bank balance of \$124,258. All of the bank balance was covered by federal depository insurance.

Component unit information:

At June 30, 2018, the carrying amount of deposits for the TDA with financial institutions was \$188,362 and the bank balance was \$468,254. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2018, the carrying amount of deposits for the Airport was \$1,045,560 and the bank balance was \$1,052,429. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At September 30, 2017, the carrying amount of the Hospital's deposits was \$54,502,384 and the bank balance was \$56,746,049. Of the carrying amount, \$5,606 was cash on hand. Of the bank balance, \$2,000,000 was covered by federal depository insurance and the remainder is collateralized by the pooling method.

At June 30, 2018 the carrying amount of deposits for the ABC Board was \$1,605,873 and the bank balance was \$1,328,759. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

Investments:

At June 30, 2018, the County had the following investments and maturities.

Investment Type	Valuation Measurement Method	Fair Value	Less Than		
			1 Year	1-5 Years	6-10 Years
Commercial Paper	Fair Value - Level 2	\$ 12,906,438	\$ 12,906,438	\$ -	\$ -
US Government Agencies	Fair Value - Level 2	18,185,418	3,500,933	13,716,130	968,355
NC Capital Management Trust Government Portfolio	Amortized Cost	16,745,529	16,745,529	N/A	N/A
NC Capital Management Trust Term Portfolio*	Fair Value - Level 1	12,566,069	12,566,069	-	-
Total		\$ 60,403,454	\$ 45,718,969	\$ 13,716,130	\$ 968,355

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Note 3. Cash and Investments (Continued)

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than twenty years.

Credit risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County has no formal policy on managing credit risk. As of June 30, 2018, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Government Agencies (Federal Home Loan Bank, Federal National Mortgage Association and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial credit risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk.

Concentration of credit risk. The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in Commercial Paper, \$12,906,438 (21.37%), Freddie Mac Securities, \$7,776,600 (12.87%), Federal Farm Credit Securities, \$6,014,753 (9.96%), and Federal Home Loan Bank Securities, \$4,394,065 (7.27%). It is the County's intention to hold these investments until maturity. The County has no formal policy on concentration of credit risk.

At June 30, 2018, the County had restricted investments in the governmental activities of \$1,523,498. In the General Fund there are restricted investments of \$1,419,241 for Qualified Zone Academy Bond debt service and \$104,257 for North Carolina Capital Management Trust 2015 General Obligation Bonds.

Component unit information

At June 30, 2018, the TDA had \$322,331 invested in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The TDA has no policy regarding credit risk. This amount is included in cash and cash equivalents on the statement of net position.

At September 30, 2017 the Hospital had the following investments and maturities.

The Hospital has \$3,659,344 certificates of deposit included in assets limited as to use and investments for capital improvements as of September 30, 2017, which are not included in the fair value hierarch.

Carteret County, North Carolina

Notes to Financial Statements

Note 3. Cash and Investments (Continued)

Investment Type	Valuation Measurement Method	Fair Value	Less Than	
			1 Year	1-4 Years
FHLMC	Fair Value - Level 2	12,749,359	-	12,749,359
FNMA	Fair Value - Level 2	31,806,161	-	31,806,161
GNMA	Fair Value - Level 2	13,191,845	-	13,191,845
Mutual funds	Fair Value - Level 1	1,505,916	1,505,916	-
Exchange-traded funds	Fair Value - Level 1	3,279,354	3,279,354	-
Common stocks	Fair Value - Level 1	707,115	707,115	-
Corporate bonds	Fair Value - Level 2	1,013,215	1,013,215	-
Cash and cash equivalents		2,840,032	2,840,032	-
Total		\$ 67,092,997	\$ 9,345,632	\$ 57,747,365

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Credit Risk. The Hospital has a Board-approved Investment Policy which is designed to mitigate credit risk, interest rate risk, and liquidity risk. These principles include, but are not limited to, diversification both between and within asset classes, quality stipulations appropriate to various types of investments, and ongoing monitoring of portfolio performance by the Board and Investment Committee, Management, and the Hospital's Investment Manager. Such practices support the stated objectives for the Hospital's total portfolio performance, which are to provide a reasonable level of current income while minimizing the likelihood of capital loss, and to maximize total return within defined risk parameters.

Concentration of Credit Risk. Per the Hospital's Investment Policy, the investment portfolio will be diversified among different issuers within each sector with no one issuer accounting for more than 10% of the portfolio at time of purchase unless it is an obligation of the US government or its agencies. The portfolio will be diversified among different fixed income sectors and different issues within each sector with no one issue accounting for more than 5% of the portfolio at time of purchase unless it is an obligation of the US government or its agencies.

Interest Rate Risk. Interest rate risk is mitigated through the use of both market and short-term components of the fixed income portfolio, and the requirement that the durations of these funds fall within acceptable ranges set forth in the Investment Policy. This is achieved by structuring the investment portfolio so that securities mature to meet chase requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing funds primarily in shorter-term securities.

Carteret County, North Carolina

Notes to Financial Statements

Note 4. Receivables

Receivables at the government-wide level are comprised of the following major categories as of June 30, 2018:

	Governmental Activities	Business-Type Activity, Water	Total
Receivables:			
Interest	\$ 1,051,127	\$ -	\$ 1,051,127
Taxes	3,574,166	-	3,574,166
Accounts	879,263	65,727	944,990
Intergovernmental	7,366,073	-	7,366,073
Other	1,236,457	-	1,236,457
Gross receivables	14,107,086	65,727	14,172,813
Less allowance for uncollectibles	(162,439)	-	(162,439)
Net total receivables	\$ 13,944,647	\$ 65,727	\$ 14,010,374

Property tax - use-value assessment on certain lands: In accordance with North Carolina general statutes, agriculture, horticulture, and forestland may be taxed at present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years along with accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2015	\$ 424,868	\$ 100,906	\$ 525,774
2016	458,212	67,586	525,798
2017	464,932	26,734	491,666
2018	486,352	-	486,352
Total	\$ 1,834,364	\$ 195,226	\$ 2,029,590

Component unit information

The Hospital's receivables of \$33,346,923 are net of an allowance for doubtful accounts of approximately \$60,248,219. Approximately 62% of the Hospital's revenue is from the Medicare and Medicaid programs.

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets

The following is a summary of changes in the County's capital assets during the fiscal year ended June 30, 2018:

	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Governmental activities:					
Capital assets, not being depreciated:					
Land, airport	\$ 169,549	\$ -	\$ -	\$ -	\$ 169,549
Land, other	4,920,704	154,200	(18,576)	-	5,056,328
Construction in progress	1,345,351	1,366,543	-	-	2,711,894
Total capital assets not being depreciated	6,435,604	1,520,743	(18,576)	-	7,937,771
Capital assets, being depreciated:					
Buildings	25,721,527	63,849	-	-	25,785,376
Vehicles	4,955,965	836,475	(58,704)	-	5,733,736
Equipment	5,787,564	410,811	(163,332)	-	6,035,043
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	10,766,748	-	-	-	10,766,748
Leasehold improvements	2,590,428	-	-	-	2,590,428
Total capital assets being depreciated	51,346,979	1,311,135	(222,036)	-	52,436,078
Less accumulated depreciation for:					
Buildings	18,742,953	705,226	-	-	19,448,179
Vehicles	3,800,351	436,738	(58,704)	-	4,178,385
Equipment	4,677,698	405,002	(163,332)	-	4,919,368
Airport facilities	1,524,747	-	-	-	1,524,747
Other improvements	5,761,619	484,374	-	-	6,245,993
Leasehold improvements	897,453	129,521	-	-	1,026,974
Total accumulated depreciation	35,404,821	\$ 2,160,861	\$ (222,036)	\$ -	37,343,646
Total capital assets, being depreciated, net	15,942,158				15,092,432
Governmental activity capital assets, net	\$ 22,377,762				\$ 23,030,203

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 461,684
Public Safety	649,645
Transportation	121,333
Economic & Physical Development	13,142
Human Services	304,496
Culture & Recreation	579,605
Environmental Protection	30,956
Total depreciation expense - governmental activities	\$ 2,160,861

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

	Capital Assets July 1, 2017	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2018
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 222,608	\$ -	\$ -	\$ -	\$ 222,608
Total capital assets, not being depreciated	222,608	-	-	-	222,608
Capital assets, being depreciated:					
Buildings	2,119,264	-	-	-	2,119,264
Infrastructure	9,618,564	-	-	-	9,618,564
Vehicles	37,231	37,898	-	-	75,129
Equipment	140,848	-	-	-	140,848
Total capital assets, being depreciated	11,915,907	37,898	-	-	11,953,805
Less accumulated depreciation for:					
Buildings	965,442	70,642	-	-	1,036,084
Infrastructure	3,855,803	277,548	-	1	4,133,352
Vehicles	31,136	8,361	-	-	39,497
Equipment	121,202	9,635	-	-	130,837
Total accumulated depreciation	4,973,583	\$ 366,186	\$ -	\$ 1	5,339,770
Total capital assets, being depreciated, net	6,942,324				6,614,035
Business-type activities capital assets, net	\$ 7,164,932				\$ 6,836,643

The above depreciation was charged to water activities and the Water Fund.

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

Discretely presented component unit information

The following is a summary of the Hospital's capital assets at September 30, 2017:

	Balance September 30, 2016	Additions	Retirements	Adjustment and Transfers	Balance September 30, 2017
Capital assets:					
Capital assets, not being depreciated:					
Construction in progress	\$ 286,192	\$ 3,217,959	\$ -	\$ (3,411,969)	\$ 92,182
Land	3,437,515	-	-	-	3,437,515
Total capital assets, not being depreciated	3,723,707	3,217,959	-	(3,411,969)	3,529,697
Capital assets, being depreciated:					
Land improvements	1,323,208	-	-	-	1,323,208
Buildings and improvements	78,010,629	40,676	-	2,933,916	80,985,221
Equipment	85,226,630	3,002,433	-	426,278	88,655,341
Total capital assets, being depreciated	164,560,467	3,043,109	-	3,360,194	170,963,770
Less accumulated depreciation:					
Land improvements	858,883	61,984	-	-	920,867
Buildings and improvements	18,975,445	2,466,291	-	-	21,441,736
Equipment	63,814,463	5,462,720	-	51,775	69,225,408
Total accumulated depreciation	83,648,791	\$ 7,990,995	\$ -	\$ 51,775	91,588,011
Total capital assets, being depreciated, net	80,911,676				79,375,759
Capital assets, net	\$ 84,635,383				\$ 82,905,456

Legal title to the Hospital's capital assets, except equipment purchased by the Hospital from unrestricted funds, is held by Carteret County. The facilities are leased to the Hospital for an annual rent of \$1. In the event of dissolution of the Hospital or its failure to function as a Hospital or to operate as required in the lease, all of its monies, properties and assets shall revert to Carteret County.

The following is a summary of the ABC Board's capital assets at June 30, 2018:

Land	\$ 1,125,478
Buildings	2,907,679
Furniture and equipment	1,492,913
Leasehold improvements	87,961
Building improvements	3,841
	5,617,872
Less accumulated depreciation	2,534,893
	\$ 3,082,979

Carteret County, North Carolina

Notes to Financial Statements

Note 5. Capital Assets (Continued)

The following is a summary of the Airport's capital assets at June 30, 2018:

Construction in progress	\$ 2,721,855
Land	1,516,047
Aviation easement	577,000
Equipment	178,159
Vehicle	24,066
Hangers	946,373
Land/runway improvements	8,643,342
	<u>14,606,842</u>
Less accumulated depreciation	2,122,436
	<u><u>\$ 12,484,406</u></u>

The following is a summary of the TDA's capital assets at June 30, 2018:

Buildings	\$ 276,000
Other improvements	69,523
Equipment	99,833
Vehicles	32,291
	<u>477,647</u>
Less accumulated depreciation	142,836
	<u><u>\$ 334,811</u></u>

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses (including liabilities to be paid from restricted assets) at the government-wide level at June 30, 2018, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 1,987,932	\$ 1,120,368	\$ 3,108,300
Occupancy Tax	612,018	-	612,018
Other governmental	467,511	-	467,511
Total governmental activities (1)	<u><u>\$ 3,067,461</u></u>	<u><u>\$ 1,120,368</u></u>	<u><u>\$ 4,187,829</u></u>
Business-type activities:			
Water	\$ 19,555	\$ 12,724	\$ 32,279
Total business - type activities	<u><u>\$ 19,555</u></u>	<u><u>\$ 12,724</u></u>	<u><u>\$ 32,279</u></u>

(1) Includes amounts in liabilities to be paid from restricted assets.

Carteret County, North Carolina

Notes to Financial Statements

Note 7. Deferred Outflows and Inflows of Resources

The amount of deferred outflows of resources on the government-wide statements and the balance in deferred inflows of resources on the fund statements and government-wide statements at year-end are composed of the following elements:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred outflows/inflows of resources on the government-wide statements:		
Charges on refunding of debt	\$ 1,882,578	\$ -
Difference between expected and actual experience		
Pensions	249,535	137,018
OPEB	40,986	-
Pensions - difference between projected and actual investment earnings	1,053,727	-
Changes in assumptions		
Pensions	688,008	-
OPEB	-	329,477
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	230,881	64,367
Contributions to plans in fiscal year 2018		
Pensions	1,412,838	-
OPEB	305,034	-
Prepaid taxes not yet earned (General)	-	390,887
Total	5,863,587	921,749
Deferred outflows / inflows of resources on the fund statements:		
Prepaid taxes not yet earned (General)	-	390,887
Taxes receivable, net (General)	-	2,720,951
Taxes receivable, net (Special Revenue)	-	690,776
Solid waste fees receivable (General)	-	608,727
Total	\$ -	\$ 4,411,341

Note 8. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$2 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million per occurrence retention for property, and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000.

The County carries flood insurance for properties located in the AE zone. For health and dental insurance, the County is insured through a commercial carrier.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and tax collector are each individually bonded for \$100,000 and \$50,000, respectively. The remaining employees that have access to funds are bonded under a \$250,000 blanket bond.

Component Unit Information:

All of the component units are exposed to similar risks as described above for the County and each maintains insurance policies in effect that would minimize the chance of any claims adversely affecting the financial position of the component units.

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$15,000,000 for specified aggregate amounts in excess of the basic coverage.

The ABC Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18B-700(i), each board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

The TDA has property, general liability, workers' compensation, and employee health coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Authority does not carry flood insurance coverage.

The Airport has property and general liability insurance coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Airport carries commercial coverage for all risks of loss. Through this coverage, the Authority obtains general liability coverage of \$5,000,000 per occurrence and property coverage up to the total insured values of the property.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations

General obligation bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of capital facilities for general government activities and for the construction of Board of Education and Community College properties, which are not recorded as capital assets by the County as disclosed in Note 1. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County and are serviced by the General Fund. Principal and interest requirements are provided by appropriation in the year in which they become due. The County's general obligation bonds payable at June 30, 2018, are comprised of the following individual issues:

\$4,780,000 - 2011 Refunding Carteret Community College bond due on August 1 and February 1 in varying installments through February 1, 2020; interest at varying rates ranging from 3% to 5.00%	\$ 940,000
\$12,700,000 - 2013 Refunding of 2006 School bond due on October 1 and April 1 in varying installments through April 1, 2026; interest at varying rates ranging from 4.00% to 5.00%	10,105,000
\$12,250,000 - 2015 Refunding of 2007 School bond due on October 1 and April 1 in varying installments through April 1, 2027; interest rate at 2.13%	10,540,000
\$4,600,000 - 2015 School bond, due on November 1 and May1 in varying installments through November 1, 2035; interest at interest rates ranging from 3.00% to 5.00%	4,140,000
	<u>\$ 25,725,000</u>

Annual debt service requirements to maturity for general obligation bonds as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 3,625,000	\$ 905,290
2020	2,965,000	784,642
2021	2,785,000	673,989
2022	2,770,000	571,761
2023	2,755,000	469,711
2024 – 2028	8,985,000	941,857
2029 – 2033	1,150,000	192,338
2034 – 2036	690,000	31,765
	<u>\$ 25,725,000</u>	<u>\$ 4,571,353</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Certificates of Participation

The County issues Certificates of Participation to finance the construction of capital facilities used for general government activities and for the construction of Board of Education properties. These obligations are serviced by the General Fund. The County's certificates of participation at June 30, 2018, are comprised of the following:

\$4,680,000 - 2011 limited obligation bonds due on December 1
and June 1 in varying installments through June 1, 2022, interest
at 2.51% collateralized by the Western Library and the Beaufort
Elementary School \$ 1,730,000

Annual debt service requirements to maturity for certificates of participation as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 440,000	\$ 64,950
2020	435,000	47,350
2021	430,000	29,950
2022	425,000	12,750
	<u>\$ 1,730,000</u>	<u>\$ 155,000</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Installment Purchase Obligations

The County has entered into various installment-financing agreements for equipment and capital improvements. The County's installment-financing agreements at June 30, 2018, are comprised of the following:

Governmental activities (serviced by the General Fund):

\$2,000,000 - Renovations of Morehead Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2007-2008, held by Bank of America	\$ 2,000,000
\$1,781,354 - Renovations of Newport Elementary School for 15 consecutive annual debt service fund installments beginning fiscal year 2009-2010, held by Galena Bank & Trust	731,354
\$9,275,000 - 2009 governmental office space renovation and refunding of 2000 certificates of participation due on December 1 and June 1 in varying installments through June 1, 2020, interest at 3.59% collateralized by Newport Middle School and the County Health Center, held by BB&T	1,502,859
\$4,000,000 QZAB - Renovations of East Carteret High School for 13 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 5.22%, held by BB&T	1,846,154
\$1,653,860 QSCB - Renovations of schools for 12 consecutive annual installments, beginning in fiscal year 2011-2012, including interest at 4.81%, held by BB&T	689,108
\$407,000 Eastern Region Loan for Morehead City economic development for 59 months; 5 consecutive annual installments beginning fiscal year 2014-15 including 0% interest	81,400
	<u>6,850,875</u>

Business-type activities (serviced by the Water Fund):

\$589,608 - Construction of water treatment and distribution facilities for 19 consecutive installments, beginning in fiscal year 2004-2005, including interest at 5.75% annual funds provided by State Revolving Fund, held by NCDENR	155,160
\$2,800,000 - Construction of Phase II Waterline extension for 20 consecutive annual installments, beginning in fiscal year 2005 - 2006, including interest at 2.205%, funds provided by State Revolving Fund, held by NCDENR	1,120,000
	<u>1,275,160</u>
	<u>\$ 8,126,035</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Annual debt service requirements to maturity for installment financing at June 30, 2018, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,439,773	\$ 183,468	\$ 171,032	\$ 33,618	\$ 1,610,805	\$ 217,086
2020	1,275,514	132,314	171,032	28,746	1,446,546	161,060
2021	565,514	84,134	171,032	23,875	736,546	108,009
2022	2,570,514	61,443	171,032	19,004	2,741,546	80,447
2023	570,513	38,752	171,032	14,132	741,545	52,884
2024 – 2026	429,047	16,061	420,000	18,522	849,047	34,583
	<u>\$ 6,850,875</u>	<u>\$ 516,172</u>	<u>\$ 1,275,160</u>	<u>\$ 137,897</u>	<u>\$ 8,126,035</u>	<u>\$ 654,069</u>

Revenue Bond

\$1,046,000 USDA water revenue bond issued on November 26, 2012; interest at 2.75%

bonds due on June 1 in varying installments through June 1, 2052

\$ 980,000

Annual debt service requirements to maturity for revenue bonds June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 18,000	\$ 26,950
2020	18,000	26,455
2021	19,000	25,960
2022	19,000	25,438
2023	20,000	24,915
2024-2028	107,000	116,133
2029-2033	123,000	100,540
2034-2038	141,000	82,666
2038-2043	161,000	62,178
2044-2048	185,000	38,774
2049-2052	169,000	11,797
	<u>\$ 980,000</u>	<u>\$ 541,806</u>

The County is in compliance with the covenants contained in the USDA bond order as set forth in Article V through VII. The significant bond covenants require: a) that the net revenues (excluding depreciation) for each fiscal year shall not be less than 110% of the debt service requirement for such Fiscal Year and not less than 100% of the amount necessary to meet annual debt service obligations coming due in that Fiscal Year with respect to the County's general obligation bonds and installment financing obligations, if used to finance System Improvements and b) The County shall establish a Debt Service Reserve account to provide for at least one average annual loan installment.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The net revenues coverage calculation for the year ended June 30, 2018, is as follows:

Water Revenue Bond
Covenant Compliance Calculation

Operating revenues	\$ 678,879
Operating expenses *	(828,412)
Operating income	<u>(149,533)</u>
Nonoperating revenues (expenses)**	9,403
Miscellaneous revenues and transfers	433,600
Net revenues available for debt service	<u><u>\$ 293,470</u></u>
110% of FY 17-18 revenue bond debt service requirement	\$ 48,860
100% of FY 17-18 DENR installment loan debt service requirement	<u>209,521</u>
Total FY 17-18 debt service subject to net revenue covenant compliance	<u><u>\$ 258,381</u></u>
Debt Service coverage ratio	114%

* Per covenants, this does not include depreciation expense of \$366,186.

** Per covenants, this does not include revenue bond and installment interest paid of \$65,907.

Advance Refundings:

On April 25, 2013, the County issued \$12,700,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$13,400,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,677,852. This amount is being netted against the new debt and amortized over the life of the refunded debt which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 9 years by \$746,235 and resulted in an economic gain of \$816,366.

On March 12, 2015, the County issued \$12,250,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$11,300,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$831,962. This amount is being netted against the new debt and amortized over the life of the refunded debt which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 9 years by \$659,676 and resulted in an economic gain of \$799,671.

Debt Related to Capital Activities – Of the total Governmental Activities debt listed only \$117,859 relates to assets for which the County holds title. No restricted cash relates to this debt amount.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2018:

	Beginning Balance June 30, 2017 Restated	Additions	Retirements	Ending Balance June 30, 2018	Due Within One Year
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds	\$ 29,410,000	\$ -	\$ 3,685,000	\$ 25,725,000	\$ 3,625,000
Certificates of participation	2,175,000	-	445,000	1,730,000	440,000
Bond premiums	2,417,445	-	285,965	2,131,480	-
Total bonds payable	34,002,445	-	4,415,965	29,586,480	4,065,000
Installment purchase obligations	8,382,789	-	1,531,914	6,850,875	1,439,773
Compensated absences	1,370,858	1,291,750	1,130,030	1,532,578	966,297
Net pension liability (LGRS)	6,103,441	-	1,867,684	4,235,757	-
Total pensions liability (LEOSSA)	968,325	139,881	-	1,108,206	-
Total OPEB liability	7,229,896	-	83,884	7,146,012	-
Governmental activity long-term liabilities	\$ 58,057,754	\$ 1,431,631	\$ 9,029,477	\$ 50,459,908	\$ 6,471,070
Business-type activities:					
Revenue Bond	\$ 997,000	\$ -	\$ 17,000	\$ 980,000	\$ 18,000
Installment purchase obligations	1,446,192	-	171,032	1,275,160	171,032
Compensated absences	20,924	23,926	28,904	15,946	15,316
Net pension liability (LGRS)	67,885	-	19,907	47,978	-
Total OPEB liability	80,286	3,873	-	84,159	-
Business-type activity long-term liabilities	\$ 2,612,287	\$ 27,799	\$ 236,843	\$ 2,403,243	\$ 204,348

Separation allowance pension obligations and net OPEB obligation for governmental activities typically have been liquidated in the General Fund and are funded on a "pay-as-you-go" basis and "as they come due", respectively.

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a Last-In, First-Out ("LIFO") basis, assuming that employees are taking leave as it is earned.

At June 30, 2018, Carteret County had a legal debt margin of \$1,154,998,026.

Component unit information:

The Hospital has several capital lease obligations for certain medical equipment and software at September 30, 2017. The leases expire at various dates through 2018 and have a present value of minimum lease payments of \$70,509.

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

Minimum annual lease payments for years subsequent to September 30, 2017, are as follows:

Year Ending September 30,	Amount
2018 total minimum lease payment	\$ 70,853
Less amount representing interest 2.67%-4%	(344)
Present value of net minimum lease obligations	70,509
Less current maturities	(70,509)
Obligations under capital leases, less current maturities	-

Assets under capital leases had a cost basis of \$1,893,725 and accumulated depreciation on these assets of \$1,811,054 at September 30, 2017.

The following is a summary of changes in the Tourism Development Authority's long-term obligations for the fiscal year ended June 30, 2018.

	Beginning Balance June 30, 2017	Additions	Retirements	Ending Balance June 30, 2018	Due Within One Year
Governmental activities:					
Compensated absences	\$ 20,074	\$ (8,488)	\$ -	\$ 11,586	\$ 2,897
Governmental activity long-term liabilities	\$ 20,074	\$ (8,488)	\$ -	\$ 11,586	\$ 2,897

Carteret County, North Carolina

Notes to Financial Statements

Note 9. Long-Term Obligations (Continued)

The ABC Board's accumulated earned vacation at June 30, 2018, amounted to approximately \$40,963. This amount is included in accounts payable.

The Airport Authority's long-term obligations as of June 30, 2018 are as follows:

In March 2017, the Authority entered into a \$92,385 agreement for the purchase of maintenance equipment. The contract bears no interest and requires annual principal payments beginning in the fiscal year 2018.

Annual debt service payments of the installments purchase as of June 30, 2018 are as follows:

Year Ending June 30,	Amount
2019	\$ 18,477
2020	18,477
2021	18,477
2022	18,477
	<u>\$ 73,908</u>

Changes in long-term debt for the fiscal year ended June 30, 2018 are as follows:

	Beginning Balance June 30, 2017	Additions	Retirements	Ending Balance June 30, 2018	Due Within One Year
Governmental activities:					
Installment purchases	\$ 92,385	\$ -	\$ 18,477	\$ 73,908	\$ 18,477

Note 10. Retirement Systems

A. North Carolina Local Governmental Employees' Retirement System

Plan description: Carteret County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERs), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERs membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERs Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERs. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided: LGERs provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERs plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERs Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018, was 8.11% of compensation for law enforcement officers and 7.50% for general employees and fire fighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,391,865 for the year ended June 30, 2018.

Refunds of Contributions: County employees who have terminated service as a contributing member of LGERs, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported a liability of \$4,283,735 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the County's proportion was .280%, which was a decrease of .011% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$1,511,361. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 246,783	\$ 121,259
Changes of assumptions	611,777	-
Net difference between projected and actual earnings on pension plan investments	1,040,096	-
Changes in proportion and differences between County contributions and proportionate share of contributions	168,530	40,367
County contributions subsequent to the measurement date	1,391,865	-
Total	<u>\$ 3,459,051</u>	<u>\$ 161,626</u>

\$1,391,865 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2019	\$ 303,718
2020	1,284,335
2021	646,831
2022	(329,324)
2023	-
Thereafter	-
	<u>\$ 1,905,560</u>

Actuarial Assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Inflation	3.05 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate: The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate: The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County's proportionate share of the net pension liability (asset)	\$ 12,859,870	\$ 4,283,735	\$ (2,874,630)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

B. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Carteret County administers a public employee retirement system (the *Separation Allowance*), a single-employer, defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	61
Total	63

2. Summary of Significant Accounting Policies

Basis of Accounting: The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers.

Note 10. Retirement Systems (Continued)

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index in the municipal bond rate.

The discount rate used to measure the Total Pension Liability is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, project forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration cost of the Separation Allowance are finance through investment earnings. The County has paid \$18,392 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported a total pension liability of \$1,108,206. The total pension liability was measured as of December 31, 2017, based on a December 31, 2016 actuarial valuation. For the year ended June 30, 2018 the County recognized pension expense of \$105,755.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,242
Changes in assumptions	49,177	-
County benefit payments and plan administrative expense made subsequent of the measurement date	11,848	-
Total	\$ 61,025	\$ 15,242

\$11,848 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:

2019	\$ 6,591
2020	6,591
2021	6,591
2022	6,591
2023	7,571
Thereafter	-
	<u>\$ 33,935</u>

\$10,045 paid as benefits came due and \$1,803 administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the County's total pension liability to changes in the discount rate. The following present the County's total pension liability calculated using the discount rate of 3.16%, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.16%) or 1 percentage-point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 1,212,001	\$ 1,108,206	\$ 1,013,138

Note 10. Retirement Systems (Continued)

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2018
Beginning Balance as of December 31, 2016	\$ 968,325
Service Cost	58,188
Interest on the total pension liability	37,022
Changes of benefit terms	-
Difference between expected and actual experience	(18,303)
Changes of assumptions or other inputs	81,366
Benefit payments	(18,392)
Other changes	-
Ending balance as of December 31, 2017	<u>\$ 1,108,206</u>

The plan currently uses mortality table that vary by age, and health statue (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan description: The County and ABC Board contribute to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County and ABC Board. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (“CAFR”) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy: Article 12E of G.S. Chapter 143 requires the County and ABC Board to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions from the County for the year ended June 30, 2018 were \$187,721, which consisted of \$134,890 from the County and \$52,831 from law enforcement officers. Contributions from the ABC Board for the year ended June 30, 2018 consisted of \$3,999 from the Board and zero from the law enforcement officers. No amounts were forfeited.

Supplemental Retirement Income Plan for General Employees

Plan description: Carteret County and ABC Board contribute to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees of the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy: The County has voluntarily elected to contribute each month an amount equal to five percent of each employee’s salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2018, were \$1,135,255, which consisted of \$769,423 from the County and \$365,832 from the employees. The ABC Board has voluntarily elected to make matching contributions on behalf of participating employees up to 5% of their eligible wages. All amounts contributed are vested immediately. Contributions from the ABC Board for the year ended June 30, 2018 consisted of \$25,364. No amounts were forfeited.

Registers of Deeds’ Supplemental Pension Fund

Plan description: Carteret County also contributes to the Registers of Deeds’ Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees’ Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Register of Deeds’ Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for the Registers of Deeds’ Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Benefits Provided: An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions: Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contribution to the pension plan from the County were \$9,125 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported an asset of \$160,343 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2017, the County's proportion was .94%, which was a decrease of .40% from its proportion measured as of June 30, 2016.

At June 30, 2018, the County recognized pension expense of 40,165. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,752	\$ 517
Changes in Assumptions	27,054	-
Net difference between projected and actual earnings on pension plan investments	13,631	-
Changes in proportion and differences between County contributions and proportionate share of contributions	62,351	24,000
County contributions subsequent to the measurement date	9,125	-
Total	<u>\$ 114,913</u>	<u>\$ 24,517</u>

\$9,125 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Years ending June 30:

2019	\$	38,561
2020		37,675
2021		1,559
2022		3,476
2023		-
Thereafter		-
	\$	<u>81,271</u>

Actuarial Assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.05 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2017 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate: The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate: The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension asset	\$ 126,027	\$ 160,343	\$ 189,201

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

C. Carteret County ABC Board Retirement Systems

North Carolina Local Governmental Employees' Retirement System

Plan description: The ABC Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided: LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The ABC Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The ABC Board's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.63% for general employees actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost benefits earned by employees during the year. Contributions to the pension plan from the ABC Board were \$56,874 for the year ended June 30, 2018.

Refunds of Contribution: Board employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Board reported a liability of \$135,203 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension asset was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Board's proportion was 0.00885% which was an increase of 0.00017% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Board recognized pension expense of \$54,589. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,789	\$ 3,827
Changes of assumptions	19,309	-
Net difference between projected and actual earnings on pension plan investments	32,827	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	20,977	-
ABC Board's contributions subsequent to the measurement date	56,874	-
Total	<u>\$ 137,776</u>	<u>\$ 3,827</u>

\$137,776 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

Years ending June 30:

2019	\$ 14,865
2020	45,759
2021	24,266
2022	(7,815)
2023	-
Thereafter	-
	<u>\$ 77,075</u>

Actuarial Assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.05 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate: The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate: The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Board's proportionate share of the net pension liability (asset)	\$ 405,884	\$ 135,203	\$ (90,729)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Carteret County General Hospital Corporation Pension Plan

Money Purchase Pension Plan – Hospital retirement benefits are provided through a money purchase defined contribution plan for all eligible employees of the Hospital. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974.

The Hospital contributed an amount equal to 4% of eligible employee's base salary. Contributions for the year ended September 30, 2017, were approximately \$1,618,000. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after three years of continuous service. Hospital contributions, and plan earnings thereon for employees who leave employment before three years of service are used to reduce the Hospital's current-period contribution requirement.

The Hospital also provides a defined contribution plan under Section 403(b) of the Internal Revenue Code. This plan is available to all eligible employees of the Hospital with employee contributions made through payroll deductions authorized by the employee. The Hospital contributed 100% of the first 2% contributed by the employee. Employees are fully vested in Hospital contributions upon participation in the 403(b) retirement plan. Contributions for the year ended September 30, 2017, were approximately \$804,000.

Carteret County Tourism Development Authority Retirement Plan

The TDA adopted a simplified employee pension - Individual Retirement Account for each of its full-time employees who have completed one year of employment. The TDA's contribution is 4% of salary for qualifying employees. The TDA's contribution amount for the fiscal year ended June 30, 2018, was \$6,683.

Carteret County, North Carolina

Notes to Financial Statements

Note 10. Retirement Systems (Continued)

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	ROD	Total
Proportionate Share of Net Pension Liability (Asset)	\$ 4,283,735	\$ -	\$ (160,343)	\$ 4,123,392
Proportion of the Net Pension Liability (Asset)	0.28040%	n/a	0.93938%	
Total Pension Liability	\$ -	\$ 1,108,206	\$ -	\$ 1,108,206
Pension Expense	\$ 1,511,361	\$ 105,755	\$ 40,165	\$ 1,657,281
	LGERS	LEOSSA	ROD	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 246,783	\$ -	\$ 2,752	\$ 249,535
Change of assumptions	611,777	49,177	27,054	688,008
Net difference between projected and actual earnings on pension plan Investments	1,040,096	-	13,631	1,053,727
Changes in proportion and differences between County contributions and proportionate share of contributions	168,530	-	62,351	230,881
County contributions (LGERS, ROD) / benefit payments and administration cost (LEOSSA) subsequent to the measurement date	1,391,865	11,848	9,125	1,412,838
Deferred Inflows of Resources				
Differences between expected and actual experience	121,259	15,242	517	137,018
Changes of assumptions	-	-	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	40,367	-	24,000	64,367

Carteret County, North Carolina

Notes to Financial Statements

Note 11. Other Post-Employment Benefits

Healthcare Benefits

Plan description. Under the terms of a County personnel policy, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of August 5, 2002, this plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) for at least 20 years, and retire with at least ten years of creditable service with the County. The Plan is available to qualified retirees until Medicare eligible. Prior to August 5, 2002, employees qualified for similar level benefits after at least five years of creditable service with the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County's retirees can purchase coverage for themselves and their spouses at the County's group rates. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

County Contributions to HCB Plan based on years of creditable service		
Retiered Employees' Years of Creditable Service	Pre-August 5, 2002	On or after August 5, 2002
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 20 years	Full coverage paid for by County	Not eligible for coverage
20+ years	Full coverage paid for by County	Full coverage paid for by County

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Retirees and spouses receiving benefits	45
Active plan members	421
Total	466

Total OPEB Liability

The county's total OPEB liability at June 30, 2018 of \$7,230,171 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified.

Carteret County, North Carolina

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (continued)

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increase, including wage inflation:	
General Employees	3.5% - 7.75%
Firefighters	3.5% - 7.75%
Law Enforcement Officers	3.5% - 7.35%
Municipal Bond Index Rate:	
Prior measurement date	3.01%
Measurement date	3.56%
Health Care Cost Trends:	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increased used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2016	\$ 7,297,781
Changes for the year:	
Service cost at the end of the year	457,021
Interest on TOL and cash flows	213,683
Change in benefit terms	-
Difference between expected and actual experience	48,016
Changes of assumptions or other inputs	(385,991)
Benefit payments and implicit subsidy credit	(400,339)
Net Changes	(67,610)
Total OPEB Liability as of June 30, 2017	\$ 7,230,171

The TOL is based upon an actuarial valuation performed as of the Valuation Date, June 30, 2017. An expected TOL is determined as of June 30, 2016, the Prior Measurement Date, using standard roll back techniques. The roll back calculation begins with the TOL, as of the Measurement Date, June 30, 2017, add the expected benefit payments for the year, deducts interest at the Discount Rate for the year, and then subtracts the annual Normal Cost (also call the Service Cost).

Carteret County, North Carolina

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (continued)

The actuarial study has assumed no significant changes, other than the change in the Municipal Bond Index Rate, have occurred between the Valuation Date and the Measurement Date. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56% due to a change in the Municipal Bond Rate. There are no changes in benefit terms since the Prior Measurement Date. No benefit payments are attributable to the purchase of allocated insurance contracts.

Sensitivity of the total OPEB liability to changes in the discount rate. The following present the total OPEB liability of the County, as well as what the county's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	\$ 7,949,068	\$ 7,230,171	\$ 6,584,535

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 6,411,797	\$ 7,230,171	\$ 8,203,829

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County recognized OPEB expense of \$626,792. At June 30, 2018, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,986	\$ -
Changes of assumptions or other inputs	-	329,477
Benefit payments and administrative costs made subsequent to the measurement date	305,034	-
Total	<u>\$ 346,020</u>	<u>\$ 329,477</u>

\$305,034 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Carteret County, North Carolina

Notes to Financial Statements

Note 11. Other Post-Employment Benefits (continued)

Measurement Period Ended June 30:

2018	\$	(49,484)
2019		(49,484)
2020		(49,484)
2021		(49,484)
2022		(49,484)
Thereafter		(41,071)

Note 12. Other Employment Benefits

The County and the ABC Board have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multiemployer, State administered, cost-sharing plan funded on a one-year term cost basis. Lump-sum death benefits are provided to beneficiaries of those employees: 1) who die in active service after one year of contributing membership in the System, or 2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employees' death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000 for the County and for the ABC Board. All death benefit payments are made from the Death Benefit Plan. The County and the ABC Board have no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2018 the County made contributions to the State for death benefits of \$16,290. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.08% and 0.14% of covered payroll, respectively.

Note 13. Additional Social Welfare Expenditures

The benefit payments listed below were issued directly from the State to recipients of the County on its behalf. These amounts represent additional Federal and State financial assistance to the residents of the County but are not reflected in the financial statements because the County has no primary responsibilities beyond making eligibility determinations.

	Federal	State
Medicaid	\$ 52,681,552	\$ 26,978,759
TANF	175,687	-
WIC	708,320	-
Health Choice	1,264,574	839
Special Assistance	-	326,235
CWS Adoption Subsidy	-	215,018
	\$ 54,830,133	\$ 27,520,851

Note 14. Joint Ventures

The County, in conjunction with Craven County and Pamlico County, participates in the Coastal Regional Solid Waste Management Authority ("Waste Management Authority"). Carteret County appoints two members of the seven-member board. The Waste Management Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Waste Management Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Waste Management Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County did not contribute any funds to the Waste Management Authority during the fiscal year ended June 30, 2018. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2018. Complete financial statements for the Waste Management Authority can be obtained from the Waste Management Authority's administrative offices at 7400 Old Highway 70 West, Cove City, North Carolina 28523.

The County, in conjunction with the State of North Carolina and the Carteret County Board of Education, participates in a joint venture to operate Carteret Community College. The County appoints four members of the twelve-member board of trustees of the community college. The community college is included as a component unit of the State of North Carolina. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds and bank installment loans to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$940,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$2,919,749 to the Community College during the fiscal year ended June 30, 2018. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements at June 30, 2018. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 3505 Arendell Street, Morehead City, North Carolina 28557.

Note 15. Jointly Governed Organizations

Regional Library

The County, in conjunction with two other counties, governs the operations of the Craven-Pamlico-Carteret Regional Library. Each participating government appoints three board members to the nine-member board. The County has no ongoing financial responsibility for the joint venture because the library's continued existence depends on the State of North Carolina's continued funding. None of the participating governments have any equity interest in the library, so no equity interest has been reflected in the financial statements at June 30, 2018. During the year ended June 30, 2018, the County contributed \$1,173,185 to the library in Carteret County.

Carteret County, North Carolina

Notes to Financial Statements

Note 16. Commitments and Contingencies

Litigation

The County is named defendant in several lawsuits related to carrying out its functions. Based upon its consultations with the County's attorneys, the County believes its ultimate liability, if any, will not be significant.

Operating Leases

During the fiscal year ended June 30, 2009, the County entered into a ten-year office lease agreement for the Carteret County Board of Elections, the Carteret County Library and various other County offices. The County renewed this lease in April 2018 for five years. Rent under this lease for the year ended June 30, 2018 amounted to \$116,720. Future minimum lease payments for the office lease are as follows:

Year ending June 30,	Annual Lease Payment
2019	\$ 131,645
2020	131,645
2021	131,645
2022	131,645
2023	109,704
	<u>\$ 636,284</u>

The Hospital has lease commitments under various operating leases for certain medical equipment. Total rental expense under cancelable and noncancelable operating leases was approximately \$961,000 for the year ended September 30, 2017. The future minimum lease payments under the noncancelable operating leases are as follows:

Year Ending September 30,	Amount
2018	\$ 533,844
2019	533,844
2020	533,844
2021	425,823
2022	101,760
Thereafter	84,800
Total minimum lease payments	<u>\$ 2,213,915</u>

The ABC Board has operating leases for two facilities and office equipment. The leases expire at varying times through June 30, 2027. The lease payment schedule for four non-cancellable leases are as follows:

Carteret County, North Carolina

Notes to Financial Statements

Note 16. Commitments and Contingencies (continued)

Year ending June 30,	Annual Lease Payment
2019	\$ 125,331
2020	125,781
2021	111,402
2022	33,790
2023	29,840
Thereafter	149,198
	<u>\$ 575,342</u>

Construction Commitments

The County has the following construction commitments as of June 30, 2018:

Project	Spent-To-Date	Remaining Commitment
Western Library Expansion	<u>\$ -</u>	<u>\$ 344,750</u>

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. County administrators believe that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Component unit information:

The Hospital is insured under claims-made policies for the purpose of providing professional and patient care liability insurance. These policies cover only malpractice claims reported to the insurance carrier during the policy term. Coverage includes a \$3,000,000 policy on professional liability limited to \$1,000,000 per case and an excess coverage policy of \$15,000,000 for specified aggregate amounts in excess of the basic coverage. The excess coverage is an occurrence policy with a retroactive date of June 15, 1976. Incidents occurring through September 30, 2017, may result in the assertion of a claim. In the opinion of management, these actions would be successfully defended or resolved without material adverse effect on the financial position of the Hospital.

The Airport has the following construction commitments as of June 30, 2018:

Project	Spent-To-Date	Remaining Commitment
Hangar Taxilane - Construction	\$ 102,091	\$ 1,049,194
Parallell Taxiway	2,619,764	224,236
	<u>\$ 2,721,855</u>	<u>\$ 1,273,430</u>

Carteret County, North Carolina

Notes to Financial Statements

Note 17. Inter-fund and Intra-Entity Receivables and Payables

Receivable Fund	Payable Fund	Amount
General Fund	Occupancy Tax Occupancy tax distribution	\$ 614,857

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government: General Fund	Component unit: Carteret County ABC Board Net income distribution due to County June 30, 2018	\$ 173,460

Note 18. Inter-fund Transfers and Intra-Entity Transactions with Component Units

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers, and are reported as other financing sources (uses) in the Governmental funds and non-operating revenues (expenses) in the Enterprise Fund.

Inter-fund transfers for the year ended June 30, 2018, are as follows:

Transfers Out	Transfers In			Total
	Major General	Non-Major Governmental Funds	Major Water Fund	
Major General Fund	\$ -	\$ 5,395,804	\$ -	\$ 5,395,804
Major Occupancy Tax Fund	3,829,532	-	-	3,829,532
Other Governmental Funds	-	3,613	433,600	437,213
Total transfers out	\$ 3,829,532	\$ 5,399,417	\$ 433,600	\$ 9,662,549

Transfers consist primarily of the following:

- \$ 5,395,804** Transfer from General Fund for various current and future capital projects and to supplement other funding sources in the special revenue and capital projects funds
- 3,829,532** Transfer from Occupancy Tax Fund in accordance with North Carolina General Statutes
- 3,613** Transfer from Salter Path District Fund to Capital Improvement Fund for capital improvements
- 433,600** Transfer from Water Taxing District Fund to the Water Fund to fund capital and debt service

Carteret County, North Carolina

Notes to Financial Statements

Note 18. Inter-fund Transfers and Intra-Entity Transactions with Component Units (continued)

Intra-entity transactions with discretely presented component units for the year ended June 30, 2018, are as follows:

Expenditures from General Fund to Beaufort-Morehead City Airport Authority for operations and capital improvements	\$ 133,955
Expenditures from Occupancy Tax Fund to Carteret County Tourism Development Authority for portion of Room Occupancy Tax	<u>3,743,798</u>
	<u>\$ 3,877,753</u>
Profit Contributions from ABC Board to General Fund	<u>\$ 723,466</u>

Notes to Financial Statements

Note 19. Pronouncements Issued, Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2018, that have effective dates that may affect future financial presentation.

Management has not currently determined what, if any, effect implementation of the following statements may have on the financial statements of Carteret County.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. This Statement is effective for fiscal years beginning after June 15, 2018.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

In April 2018, GASB issued *Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statements also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In June 2018, GASB issued *Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued *Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 15, 2018.

Carteret County, North Carolina

Notes to Financial Statements

Note 20. Subsequent Events

The County has evaluated its subsequent events (events occurring after June 30, 2018) through January 29, 2019, which represents the date the financial statements were available to be issued. Hurricane Florence made landfall in Carteret County September 13, 2018. The County anticipates being reimbursed for all hurricane eligible expenditures from FEMA and the State.

Note 21. Change in Accounting Principles / Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were included in the restatement. As a result, net position for the governmental activities decreased \$3,431,128 and \$80,286 for the business-type activities.

Supplemental
Financial Data



Required Supplemental Financial Data

(Unaudited)

This section contains additional information required by generally accepted accounting principles.

Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress for the Other Postemployment Benefits

Schedule of Employer Contributions for the Other Postemployment Benefits

Notes to the Required Schedules for the Other Postemployment Benefits

Schedule of County's Proportionate Share of Net Pension Liability (LGERS)

Schedule of County Contributions (LGERS)

Schedule of County's Proportionate Share of Net Pension Asset (ROD)

Schedule of County Contributions (ROD)

Schedule of Changes in the Total OPEB Liability



Carteret County, North Carolina

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For Year Ended June 30, 2018**

	2018	2017
Beginning balance	\$ 968,325	\$ 912,139
Service cost	58,188	63,079
Interest on the total pension liability	37,022	32,336
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(18,303)	-
Changes of assumptions or other inputs	81,366	(26,491)
Benefit payments	(18,392)	(12,738)
Other changes	-	-
Ending balance of the total pension liability	\$ 1,108,206	\$ 968,325

The amounts presented for the fiscal year were determined as of the prior December 31.

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

Carteret County, North Carolina

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For Year Ended June 30, 2018**

	2018	2017
Total pension liability	\$ 1,108,206	\$ 968,325
Covered payroll	2,590,646	2,577,824
Total pension liability as a percentage of covered payroll	42.78%	37.56%

Notes to the schedules:

The County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 nor does the Plan provided pay related benefits.

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.



Carteret County, North Carolina

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

Required Supplementary Information

Local Governmental Employees' Retirement System

Last Five Fiscal Years*

	2018	2017	2016
County's proportion of the net pension liability (asset) %	0.28040%	0.29078%	0.25893%
County's proportionate share of the net pension liability (asset) \$	\$ 4,283,735	\$ 6,171,326	\$ 1,162,062
County's covered employee payroll	18,208,239	17,057,781	15,801,403
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	23.53%	36.18%	7.35%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

2015	2014
0.25688%	0.24810%
\$ (1,514,940)	\$ 2,990,558
14,891,061	14,737,702
-10.17%	20.29%
102.64%	94.35%

Carteret County, North Carolina

**Schedule of County Contributions
Required Supplementary Information
Local Governmental Employee's Retirement System**

Last Five Fiscal Years

	2018		2017		2016
Contractually required contribution	\$ 1,391,865	\$	1,315,412	\$	1,167,788
Contributions in relation to the contractually required contribution	1,391,865		1,315,412		1,167,788
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
County's covered-employee payroll	\$ 18,490,395	\$	18,208,239	\$	17,057,781
Contributions as a percentage of covered employee payroll	7.53%		7.22%		6.85%

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

	2015		2014
\$	1,150,353	\$	1,062,954
	1,150,353		1,062,954
<hr/>			
\$	-	\$	-
<hr/>			
\$	15,801,403	\$	14,891,061
	7.28%		7.14%

Carteret County, North Carolina

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

**Required Supplementary Information
Registers of Deeds' Supplemental Pension Fund
Last Five Fiscal Years***

	2018	2017	2016
County's proportion of the net pension liability (asset) %	0.93938%	1.33673%	1.09128%
County's proportionate share of the net pension liability (asset) \$	\$ (160,343)	\$ (249,915)	\$ (252,893)
County's covered employee payroll	47,761	41,841	46,233
County's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-335.72%	-597.30%	-547.00%
Plan fiduciary net position as a percentage of the total pension liability	153.77%	160.17%	197.29%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

2015	2014
1.10071%	1.12857%
\$ (249,489)	\$ (241,063)
46,233	46,233
-539.63%	-521.41%
193.88%	190.50%

Carteret County, North Carolina

**Schedule of County Contributions
 Required Supplementary Information
 Registers of Deeds' Supplemental Pension Fund
 Last Five Fiscal Years**

	2018	2017	2016
Contractually required contribution	\$ 9,125	\$ 9,588	\$ 9,494
Contributions in relation to the contractually required contribution	9,125	9,588	9,494
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 46,025	\$ 41,841	\$ 46,233
Contributions as a percentage of covered employee payroll	19.83%	22.92%	20.54%

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

	2015	2014
\$	8,732	\$ 8,987
	<u>8,732</u>	<u>8,987</u>
\$	<u>-</u>	<u>\$ -</u>
\$	46,233	\$ 46,233
	18.89%	19.44%

Carteret County, North Carolina

**Schedule of Changes in Total OPEB Liability
For Year Ended June 30, 2018**

	<u>2018</u>
Beginning balance	\$ 7,297,781
Service cost	407,537
Interest on the total pension liability	213,683
Changes of benefit terms	-
Differences between expected and actual experience	40,986
Changes of assumptions or other inputs	(329,477)
Benefit payments	(400,339)
Other changes	-
Ending balance of the total OPEB liability	<u><u>\$ 7,230,171</u></u>
Covered payroll	16,873,606
Total OPEB liability as a percentage of covered-employee payroll	42.85%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discounts rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

The schedule is intended to show information for ten years, and additional years' information will be displayed as it becomes available.

Major Funds

General Fund



Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues			
Ad valorem taxes:			
Current period	\$ 45,036,000	\$ 45,175,396	\$ 139,396
Prior years	850,000	929,539	79,539
Interest and penalties	331,000	383,900	52,900
	<u>46,217,000</u>	<u>46,488,835</u>	<u>271,835</u>
Other taxes:			
ABC local bottle tax	37,000	40,470	3,470
Local option sales tax	13,575,000	15,114,562	1,539,562
Privilege licenses	-	8,465	8,465
	<u>13,612,000</u>	<u>15,163,497</u>	<u>1,551,497</u>
Permits and fees:			
Sheriff fees	100,000	86,305	(13,695)
Register of deeds	1,250,000	1,323,692	73,692
Franchise fees	450,000	434,035	(15,965)
Building and Inspection fees	550,000	785,756	235,756
Environmental health fees	331,000	363,363	32,363
Public Health fees	321,835	621,948	300,113
Other fees	83,600	162,013	78,413
	<u>3,086,435</u>	<u>3,777,112</u>	<u>690,677</u>
Intergovernmental:			
Restricted:			
Federal and State grants	13,182,328	11,102,236	(2,080,092)
Lottery proceeds	600,000	600,000	-
Court facilities fees	115,000	98,987	(16,013)
Unrestricted:			
Beer and wine tax	175,000	171,774	(3,226)
Payments in lieu of taxes	-	189,313	189,313
ABC profits	700,000	723,466	23,466
Croatan National Forest	41,000	32,605	(8,395)
	<u>14,813,328</u>	<u>12,918,381</u>	<u>(1,894,947)</u>
Sales and services:			
Solid waste	3,255,000	3,451,334	196,334
Civic center fees	246,000	236,204	(9,796)
Other	581,935	514,730	(67,205)
	<u>4,082,935</u>	<u>4,202,268</u>	<u>119,333</u>
Interest	<u>250,000</u>	<u>550,755</u>	<u>300,755</u>
Miscellaneous:			
Other	87,790	204,919	117,129
	<u>87,790</u>	<u>204,919</u>	<u>117,129</u>
Total revenues	<u>82,149,488</u>	<u>83,305,767</u>	<u>1,156,279</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2018

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Expenditures			
General government:			
Governing body:			
Salaries and employee benefits		52,057	
Operating expenses		153,571	
Professional services		80,000	
	293,890	285,628	8,262
Administration:			
Salaries and employee benefits		316,815	
Operating expenses		19,355	
	389,932	336,170	53,762
Information systems:			
Salaries and employee benefits		602,833	
Operating expenses		1,012,102	
Capital outlay		225,996	
	1,857,706	1,840,931	16,775
Finance:			
Salaries and employee benefits		622,076	
Operating expenses		92,795	
	718,823	714,871	3,952
Human resources:			
Salaries and employee benefits		319,360	
Operating expenses		56,576	
	387,921	375,936	11,985
Tax and revlauation:			
Salaries and employee benefits		1,112,231	
Operating expenses		73,201	
Contract services		329,514	
	1,567,864	1,514,946	52,918
Legal:			
Professional services	74,000	66,156	7,844
Court facilities:			
Salaries and employee benefits		3,702	
Operating expenses		50,628	
	80,700	54,330	26,370
Elections:			
Salaries and employee benefits		283,455	
Operating expenses		142,361	
	534,139	425,816	108,323
Register of deeds:			
Salaries and employee benefits		315,371	
Operating expenses		212,867	
	540,305	528,238	12,067

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2018

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Public buildings:			
Salaries and employee benefits		473,653	
Operating expenses		1,068,616	
Capital outlay		55,738	
	1,784,920	1,598,007	186,913
Total general government	8,230,200	7,741,029	489,171
Public safety:			
Sheriff:			
Salaries and employee benefits		3,954,438	
Operating expenses		809,923	
Contract services		100,170	
Capital outlay		310,838	
	5,190,000	5,175,369	14,631
Sheriff - Jail division:			
Salaries and employee benefits		1,862,487	
Operating expenses		1,163,156	
Contract services		308,319	
Capital outlay		9,665	
	3,388,546	3,343,627	44,919
Paramedic operations:			
Salaries and employee benefits		580,460	
Operating expenses		125,149	
	921,208	705,609	215,599
Emergency management:			
Salaries and employee benefits		227,759	
Operating expenses		31,485	
Contracted services		59,013	
	333,485	318,257	15,228
Rape crisis program:			
Salaries and employee benefits		234,735	
Operating expenses		42,717	
	293,829	277,452	16,377
Fire Marshall:			
Salaries and employee benefits		109,409	
Operating expenses		23,900	
	137,509	133,309	4,200
Consolidated Communications:			
Salaries and employee benefits		1,261,247	
Operating expenses		217,165	
	1,768,303	1,478,412	289,891
Medical examiner:			
Professional services		68,200	
	69,000	68,200	800

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2018

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Animal control:			
Salaries and employee benefits		241,333	
Operating expenses		199,252	
Capital outlay		9,445	
	522,450	450,030	72,420
Total public safety	12,624,330	11,950,265	674,065
Transportation:			
Harbors:			
Operating expenses	25,000	10,893	14,107
Beaufort-Morehead City Airport Authority	133,955	133,955	-
CCATS:			
Salaries and employee benefits		645,317	
Operating expenses		356,731	
Capital outlay		292,522	
	1,377,511	1,294,570	82,941
Total transportation	1,536,466	1,439,418	97,048
Environmental protection:			
Forest fire control	134,925	106,114	28,811
Tri-County solid waste collections	3,011,000	2,956,436	54,564
Public works:			
Salaries and employee benefits		430,697	
Operating expenses		296,931	
Capital outlay		64,303	
	913,791	791,931	121,860
Total environmental protection	4,059,716	3,854,481	205,235
Economic and physical development:			
Economic development:			
Salaries and employee benefits		97,643	
Operating expenses		81,229	
	268,000	178,872	89,128
Beach nourishment:			
Salaries and employee benefits		133,867	
Operating expenses		660,210	
Contract services		346,786	
	1,044,265	1,140,863	(96,598)

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2018

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Planning and zoning:			
Salaries and employee benefits		663,892	
Operating expenses		96,555	
Contract services		18,944	
Capital outlay		45,608	
	<u>924,394</u>	<u>824,999</u>	<u>99,395</u>
General services:			
Salaries and employee benefits		94,389	
Operating expenses		5,452	
	<u>108,931</u>	<u>99,841</u>	<u>9,090</u>
Cooperative extension:			
Salaries and employee benefits		59,288	
Operating expenses		179,195	
	<u>253,322</u>	<u>238,483</u>	<u>14,839</u>
Total economic and physical development	<u>2,598,912</u>	<u>2,483,058</u>	<u>115,854</u>
Human Services:			
Health center:			
Salaries and employee benefits		1,935,416	
Operating expenses		614,767	
Capital outlay		18,256	
	<u>2,753,883</u>	<u>2,568,439</u>	<u>185,444</u>
Dental program			
Salaries and employee benefits		258,530	
Operating expenses		71,744	
	<u>361,653</u>	<u>330,274</u>	<u>31,379</u>
Women, infants, and children:			
Salaries and employee benefits		247,599	
Operating expenses		6,720	
	<u>267,922</u>	<u>254,319</u>	<u>13,603</u>
Environmental health:			
Salaries and employee benefits		912,812	
Operating expenses		86,075	
Capital outlay		18,256	
	<u>1,164,359</u>	<u>1,017,143</u>	<u>147,216</u>
Mental health:			
Mental health center and other		198,000	
Mental health, ABC		30,000	
	<u>228,000</u>	<u>228,000</u>	<u>-</u>
DSS administration:			
Salaries and employee benefits		7,015,787	
Operating expenses		647,798	
Capital outlay		45,555	
	<u>8,274,762</u>	<u>7,709,140</u>	<u>565,622</u>
General assistance	<u>659,250</u>	<u>506,645</u>	<u>152,605</u>
TANF Block grant:			
TANF Block grant		27,431	
Operating expenses		13,412	
	<u>173,500</u>	<u>40,843</u>	<u>132,657</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2018

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
DSS special assistance	2,728,000	958,161	1,769,839
Special projects	822,960	525,597	297,363
Other human services	440,755	411,599	29,156
Veteran services:			
Salaries and employee benefits		306,559	
Operating expenses		53,904	
	368,167	360,463	7,704
Senior center aging programs:			
Salaries and employee benefits		239,984	
Operating expenses		29,392	
Contract services		106,266	
	505,571	375,642	129,929
Total human services	18,748,782	15,286,265	3,462,517
Culture and recreation:			
Senior center:			
Salaries and employee benefits		128,024	
Operating expenses		75,648	
Contract services		11,885	
	252,639	215,557	37,082
Carteret County Library:			
Appropriations to Library Systems	1,317,140	1,317,137	3
Parks and recreation:			
Salaries and employee benefits		541,031	
Operating expenses		241,364	
Contract services		32,594	
	821,252	814,989	6,263
Parks and recreation maintenance:			
Salaries and employee benefits		431,972	
Operating expenses		357,193	
Capital outlay		29,624	
	880,279	818,789	61,490
Civic center:			
Salaries and employee benefits		211,945	
Operating expenses		212,946	
	455,998	424,891	31,107
Total culture and recreation	3,727,308	3,591,363	135,945

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
Year Ended June 30, 2018

	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Education:			
Public schools, current expense	22,479,000	22,479,000	-
Community college, current expense	2,512,615	2,512,615	-
Community college, capital outlay	487,229	407,134	80,095
Total education	25,478,844	25,398,749	80,095
Debt service:			
Principal retirement	5,773,500	5,661,914	111,586
Interest and fees	1,354,300	1,341,339	12,961
Total debt service	7,127,800	7,003,253	124,547
Total expenditures	84,132,358	78,747,881	5,384,477
Revenues over (under) expenditures	(1,982,870)	4,557,886	6,540,756
Other financing sources (uses)			
Transfers in (out):			
From Occupancy Tax Fund	3,895,000	3,829,532	(65,468)
To School Project Fund	(2,259,800)	(2,259,800)	-
To Capital Improvement Fund	(1,184,004)	(1,184,004)	-
To Facilities / Debt Reserve Fund	(1,292,000)	(1,292,000)	-
To Community College Project Fund	(660,000)	(660,000)	-
Contingency reserves	(3,733,231)	-	3,733,231
Appropriated fund balance	7,216,905	-	(7,216,905)
Total other financing sources (uses)	1,982,870	(1,566,272)	(3,549,142)
Net change in fund balance	\$ -	2,991,614	\$ 2,991,614
Fund balance			
Beginning		58,845,954	
Ending		<u>\$ 61,837,568</u>	

Carteret County, North Carolina

Combining Balance Sheet - Non-major Governmental Fund Types
June 30, 2018

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Assets:			
Cash and investments	\$ 1,347,905	\$ 6,331,158	\$ 7,679,063
Restricted cash and investments	1,586,977	104,257	1,691,234
Receivables, net	1,353,080	199,747	1,552,827
Total assets	\$ 4,287,962	\$ 6,635,162	\$ 10,923,124
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 48,361	\$ 419,150	\$ 467,511
Total liabilities	48,361	419,150	467,511
Deferred inflows of resources	690,776	-	690,776
Fund balances:			
Restricted:			
Public safety	918,267	-	918,267
Economic development	264,017	-	264,017
Rescue protection	862,519	-	862,519
Fire protection	1,249,282	-	1,249,282
School capital	-	139,641	139,641
Committed:			
Taylor Extended Care	-	74,436	74,436
School capital	-	146,313	146,313
Community College capital	-	1,425,000	1,425,000
Assigned:			
Subsequent year's expenditures	254,740	520,000	774,740
County capital	-	3,910,622	3,910,622
Total fund balances	3,548,825	6,216,012	9,764,837
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,287,962	\$ 6,635,162	\$ 10,923,124

Carteret County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Non-major Governmental Fund Types
 Year Ended June 30, 2018

	Government Fund Types		
	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Ad valorem taxes	\$ 6,485,226	\$ -	\$ 6,485,226
Other taxes	2,033,854	-	2,033,854
Intergovernmental	214,480	283,673	498,153
Interest	31,940	50,579	82,519
Miscellaneous	-	5,500	5,500
Total revenues	8,765,500	339,752	9,105,252
Expenditures			
Current:			
Public safety	8,480,267	-	8,480,267
Economic and physical development	23,885	-	23,885
Capital outlay	-	6,118,397	6,118,397
Total expenditures	8,504,152	6,118,397	14,622,549
Revenues over (under) expenditures	261,348	(5,778,645)	(5,517,297)
Other financing sources (uses)			
Transfers in	-	5,399,417	5,399,417
Transfers out	(437,213)	-	(437,213)
Total other financing sources (uses)	(437,213)	5,399,417	4,962,204
Net change in fund balance	(175,865)	(379,228)	(555,093)
Fund balances			
Beginning	3,724,690	6,595,240	10,319,930
Ending	\$ 3,548,825	\$ 6,216,012	\$ 9,764,837

Summary of
Nonmajor Funds



Non-major Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specified revenue sources (other than Special Assessments) or to finance specified activities as required by law or administrative regulation.

Nonmajor Special
Revenue Funds



Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Balance Sheet
June 30, 2018

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Assets			
Cash and investments	\$ -	\$ -	\$ 1,098,976
Restricted cash and investments	672,815	914,162	-
Receivables:			
Property taxes receivable, net	254,796	403,045	-
Accounts receivable	228,198	365,756	16,000
Total assets	\$ 1,155,809	\$ 1,682,963	\$ 1,114,976
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 8,509	\$ 2,881	\$ 14,709
Total liabilities	8,509	2,881	14,709
Deferred inflows of resources	254,796	403,045	-
Fund balances:			
Restricted:			
Public safety	-	-	918,267
Economic development	-	-	-
Rescue protection	862,519	-	-
Fire protection	-	1,249,282	-
Committed:			
Subsequent year's expenditures	29,985	27,755	182,000
Total fund balances	892,504	1,277,037	1,100,267
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,155,809	\$ 1,682,963	\$ 1,114,976

Salter Path District Fund	Water Tax District Fund	Flood Mitigation 2014 Fund	Totals
\$ 68,066	\$ 180,863	\$ -	\$ 1,347,905
-	-	-	1,586,977
6	32,929	-	690,776
613	29,586	22,151	662,304
\$ 68,685	\$ 243,378	\$ 22,151	\$ 4,287,962

\$ -	\$ 111	\$ 22,151	\$ 48,361
-	111	22,151	48,361
6	32,929	-	690,776

-	-	-	918,267
68,679	195,338	-	264,017
-	-	-	862,519
-	-	-	1,249,282
-	15,000	-	254,740
68,679	210,338	-	3,548,825
\$ 68,685	\$ 243,378	\$ 22,151	\$ 4,287,962

Carteret County, North Carolina

Non-major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2018

	Rescue Squad Fund	Fire District Fund	Emergency Telephone System Fund
Revenues			
Ad valorem taxes	\$ 2,539,493	\$ 3,639,904	\$ -
Other taxes	744,241	1,191,149	-
Intergovernmental	-	-	191,999
Interest	6,798	13,347	9,662
Total revenues	3,290,532	4,844,400	201,661
Expenditures			
Public safety	3,189,130	5,095,766	195,371
Economic and physical development	-	-	-
Total expenditures	3,189,130	5,095,766	195,371
Revenues over (under) expenditures	101,402	(251,366)	6,290
Other financing sources (uses)			
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other financing sources over expenditures and other financing uses	101,402	(251,366)	6,290
Fund balances			
Beginning	791,102	1,528,403	1,093,977
Ending	\$ 892,504	\$ 1,277,037	\$ 1,100,267

Salter Path District Fund	Water Tax District Fund	CDBG 2003 Scatter Site Fund	Flood Mitigation 2014 Fund	Totals
\$ 6,693	\$ 299,136	\$ -	\$ -	\$ 6,485,226
2,135	96,329	-	-	2,033,854
-	-	330	22,151	214,480
628	1,505	-	-	31,940
9,456	396,970	330	22,151	8,765,500
-	-	-	-	8,480,267
4	1,240	490	22,151	23,885
4	1,240	490	22,151	8,504,152
9,452	395,730	(160)	-	261,348
(3,613)	(433,600)	-	-	(437,213)
(3,613)	(433,600)	-	-	(437,213)
5,839	(37,870)	(160)	-	(175,865)
62,840	248,208	160	-	3,724,690
\$ 68,679	\$ 210,338	\$ -	\$ -	\$ 3,548,825

Carteret County, North Carolina

Rescue Squad Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 2,488,505	\$ 2,539,493	\$ 50,988
Other taxes:			
Local option sales tax	646,500	744,241	97,741
Interest	-	6,798	6,798
Total revenues	3,135,005	3,290,532	155,527
Expenditures			
Public safety:			
Beaufort	1,017,135	1,017,144	(9)
Broad and Gales Creek	305,640	305,671	(31)
Mill Creek	93,090	93,117	(27)
Mitchell Village	140,450	140,497	(47)
Otway	312,330	312,419	(89)
Sea Level	255,370	255,418	(48)
Western Carteret	405,050	405,182	(132)
District reserves	70,880	43,685	27,195
Local sales tax	616,000	615,997	3
Total expenditures	3,215,945	3,189,130	26,815
Revenues over (under) expenditures	(80,940)	101,402	182,342
Other financing sources			
Fund balance appropriated	80,940	-	(80,940)
Revenues and other financing sources over expenditures	\$ -	101,402	\$ 101,402
Fund balances			
Beginning		791,102	
Ending		<u>\$ 892,504</u>	

Carteret County, North Carolina

Fire District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 3,576,500	\$ 3,639,904	\$ 63,404
Other taxes:			
Local option sales tax	1,036,500	1,191,149	154,649
Interest	-	13,347	13,347
Total revenues	4,613,000	4,844,400	231,400
Expenditures			
Public safety:			
Fire Districts:			
Atlantic	50,877	50,877	-
Beaufort	325,024	325,024	-
Broad and Gales Creek	305,841	305,841	-
Cedar Island	48,519	48,519	-
Davis	64,843	64,843	-
Harkers Island	355,984	355,984	-
Harlowe	78,114	78,114	-
Marshallberg	158,790	158,789	1
Mill Creek	31,429	31,429	-
Mitchell Village, Crab Point	360,129	361,259	(1,130)
Newport	322,710	322,709	1
North River	45,625	45,624	1
Otway	196,454	196,454	-
Salter Path	58,277	58,277	-
Sea Level	50,332	50,331	1
South River	100,981	100,981	-
Stacy	22,342	22,342	-
Stella	236,575	255,670	(19,095)
Western Carteret	451,267	451,267	-
Wildwood	583,932	583,932	-
District reserves	416,700	397,000	19,700
Local sales tax	830,500	830,500	-
Total expenditures	5,095,245	5,095,766	(521)
Revenues over (under) expenditures	(482,245)	(251,366)	230,879
Other financing sources			
Fund balance appropriated	482,245	-	(482,245)
Revenues and other financing sources over (under) expenditures	\$ -	(251,366)	\$ (251,366)
Fund balances			
Beginning		1,528,403	
Ending		<u>\$ 1,277,037</u>	

Carteret County, North Carolina

Emergency Telephone System Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 194,100	\$ 191,999	\$ (2,101)
Interest	2,900	9,662	6,762
Total revenues	197,000	201,661	4,661
Expenditures			
Public safety:			
Operating expenses	217,000	117,520	99,480
Contracted services	35,000	77,851	(42,851)
Capital outlay	35,000	-	35,000
Total expenditures	287,000	195,371	91,629
Revenues over (under) expenditures	(90,000)	6,290	96,290
Other financing sources (uses)			
Fund balance appropriated	90,000	-	(90,000)
Total other financing sources (uses)	90,000	-	(90,000)
Revenues and other financing sources over expenditures	\$ -	6,290	\$ 6,290
Fund balances			
Beginning		1,093,977	
Ending		<u>\$ 1,100,267</u>	

Carteret County, North Carolina

Salter Path District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 6,500	\$ 6,693	\$ 193
Other taxes:			
Local option sales tax	1,900	2,135	235
Interest	100	628	528
Total revenues	8,500	9,456	956
Expenditures			
Economic and physical development:			
Beach nourishment	4,887	4	4,883
Total expenditures	4,887	4	4,883
Revenues over expenditures	3,613	9,452	5,839
Other financing uses			
Transfers out	(3,613)	(3,613)	-
Total other financing uses	(3,613)	(3,613)	-
Revenues over other financing uses	\$ -	5,839	\$ 5,839
Fund balances			
Beginning		62,840	
Ending		\$ 68,679	

Carteret County, North Carolina

Water Tax District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 289,500	\$ 299,136	\$ 9,636
Other taxes			
Local option sales tax	83,000	96,329	13,329
Interest	500	1,505	1,005
Total revenues	373,000	396,970	23,970
Expenditures			
Economic and Physical Development			
Operating expenses	2,000	1,240	760
Total expenditures	2,000	1,240	760
Revenues over expenditures	371,000	395,730	24,730
Other financing uses			
Transfers out	(433,600)	(433,600)	-
Fund balance appropriated	62,600	-	(62,600)
Total other financing uses	(371,000)	(433,600)	(62,600)
Revenues over (under) other financing uses	\$ -	(37,870)	\$ (37,870)
Fund balances			
Beginning		248,208	
Ending		\$ 210,338	

Carteret County, North Carolina

CDBG 2003 Scatter Site Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2018

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenues				
Intergovernmental:				
Community Development Block Grant	\$ 225,000	\$ 220,241	\$ 330	\$ 220,571
Total revenues	225,000	220,241	330	220,571
Expenditures				
Economic and Physical Development:				
C-1 Rehabilitation	182,700	180,478	490	180,968
C-1 Administration	20,300	22,178	-	22,178
L-1 Rehabilitation	20,000	15,425	-	15,425
L-1 Administration	2,000	2,000	-	2,000
Total expenditures	225,000	220,081	490	220,571
Revenues over expenditures	\$ -	\$ 160	(160)	\$ -
Fund balances				
Beginning			160	
Ending			\$ -	

Carteret County, North Carolina

2014 Flood Mitigation Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and the Year Ended June 30, 2018

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Revenues				
Intergovernmental:				
2014 FLD Mitigation FMA-PF04	\$ 870,050	\$ -	\$ 22,151	\$ 22,151
Total revenues	870,050	-	22,151	22,151
Expenditures				
Economic and physical development:				
2014 program				
Elevation cost	726,800	-	22,151	22,151
Soft costs	143,250	-	-	-
	870,050	-	22,151	22,151
Total expenditures	870,050	-	22,151	22,151
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund balances (deficit)				
Beginning			-	
Ending			<u>\$ -</u>	

Nonmajor Capital
Projects Funds



Non-major Capital Projects Funds

Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities.

Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Balance Sheet
June 30, 2018

	County Capital Reserve Fund	County Capital Improvements Fund	County Facilities Debt Reserve Fund
Assets			
Cash and investments	\$ 958,866	\$ 1,394,929	\$ 1,910,964
Receivables, net	-	199,747	-
Restricted cash and investments	-	-	-
Total assets	\$ 958,866	\$ 1,594,676	\$ 1,910,964
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 136,106	\$ -
Total liabilities	-	136,106	-
Fund balances :			
Restricted:			
School capital	-	-	-
Committed:			
Taylor Extended Care	-	74,436	-
School capital	-	-	-
Community College capital	-	-	-
Assigned:			
Subsequent year's expenditures	-	520,000	-
County capital	958,866	864,134	1,910,964
Total fund balances	958,866	1,458,570	1,910,964
Total liabilities and fund balances	\$ 958,866	\$ 1,594,676	\$ 1,910,964

School Special Projects Fund	County Construction Projects Fund	2015 School Bond Project Fund	Carteret Community College Fund	Totals
\$ 408,117	\$ 177,223	\$ 56,059	\$ 1,425,000	\$ 6,331,158
-	-	-	-	199,747
-	-	104,257	-	104,257
\$ 408,117	\$ 177,223	\$ 160,316	\$ 1,425,000	\$ 6,635,162

\$ 261,804	\$ 565	\$ 20,675	\$ -	\$ 419,150
261,804	565	20,675	-	419,150

-	-	139,641	-	139,641
-	-	-	-	74,436
146,313	-	-	-	146,313
-	-	-	1,425,000	1,425,000
-	-	-	-	520,000
-	176,658	-	-	3,910,622
146,313	176,658	139,641	1,425,000	6,216,012
\$ 408,117	\$ 177,223	\$ 160,316	\$ 1,425,000	\$ 6,635,162

Carteret County, North Carolina

Non-major Capital Projects Fund

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2018

	County Capital Reserve Fund	County Capital Improvements Fund	County Facilities / Debt Reserve Fund
Revenues			
Intergovernmental	\$ -	\$ 229,658	\$ -
Interest	8,414	12,008	15,565
Miscellaneous	-	5,500	-
Total revenues	8,414	247,166	15,565
Expenditures			
Capital outlay	-	732,186	-
Revenues over (under) expenditures	8,414	(485,020)	15,565
Other financing sources			
Transfers in	-	1,187,617	1,292,000
Total other financing sources	-	1,187,617	1,292,000
Revenues and other financing sources over (under) expenditures	8,414	702,597	1,307,565
Fund balances			
Beginning	950,452	755,973	603,399
Ending	\$ 958,866	\$ 1,458,570	\$ 1,910,964

School Special Projects Fund	County Construction Projects Fund	2015 School Bond Projects Fund	Carteret Community College Fund	Totals
\$ -	\$ -	\$ 54,015	\$ -	\$ 283,673
4,795	3,047	6,750	-	50,579
-	-	-	-	5,500
4,795	3,047	60,765	-	339,752
2,684,625	1,342,096	1,359,490	-	6,118,397
(2,679,830)	(1,339,049)	(1,298,725)	-	(5,778,645)
2,259,800	-	-	660,000	5,399,417
2,259,800	-	-	660,000	5,399,417
(420,030)	(1,339,049)	(1,298,725)	660,000	(379,228)
566,343	1,515,707	1,438,366	765,000	6,595,240
\$ 146,313	\$ 176,658	\$ 139,641	\$ 1,425,000	\$ 6,216,012

Carteret County, North Carolina

County Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Positive
Revenues			
Interest	\$ -	\$ 8,414	\$ 8,414
Revenues over expenditures	<u>-</u>	<u>8,414</u>	<u>8,414</u>
Revenues and other financing sources (under) expenditures	<u>\$ -</u>	<u>8,414</u>	<u>\$ 8,414</u>
Fund balances			
Beginning		<u>950,452</u>	
Ending		<u>\$ 958,866</u>	

Carteret County, North Carolina

County Capital Improvements Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 500,000	\$ 229,658	\$ (270,342)
Interest	5,000	12,008	7,008
Miscellaneous	130,000	5,500	(124,500)
Total revenues	635,000	247,166	(387,834)
Expenditures			
Capital outlay:			
Aerial pictometry	84,000	79,346	4,654
Waterway dredging	1,000,000	349,806	650,194
Beach nourishment	274,617	-	274,617
Taylor Extended Care improvements	160,000	157,106	2,894
Cape Carteret trail	125,000	-	125,000
Newport sidewalk	50,000	-	50,000
Park improvements	194,000	121,481	72,519
Western Library addition	370,000	24,447	345,553
Total expenditures	2,257,617	732,186	1,525,431
Revenues over (under) expenditures	(1,622,617)	(485,020)	1,137,597
Other financing sources			
Transfer from General Fund	1,184,004	1,184,004	-
Transfer from Other Funds	3,613	3,613	-
Fund balance appropriated	435,000	-	(435,000)
Total other financing sources	1,622,617	1,187,617	(435,000)
Revenues and other financing sources (under) expenditures	\$ -	702,597	\$ 702,597
Fund balances			
Beginning		755,973	
Ending		<u>\$ 1,458,570</u>	

Carteret County, North Carolina

County Facilities / Debt Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Interest	\$ -	\$ 15,565	\$ 15,565
Total revenues	-	15,565	15,565
Expenditures			
Capital outlay:			
Future Projects / Capital Debt	1,292,000	-	1,292,000
Total expenditures	1,292,000	-	1,292,000
Revenues over (under) expenditures	(1,292,000)	15,565	1,307,565
Other financing sources			
Transfer from General Fund	1,292,000	1,292,000	-
Total other financing sources	1,292,000	1,292,000	-
Revenues and other financing sources over expenditures	\$ -	1,307,565	\$ 1,307,565
Fund balances			
Beginning		603,399	
Ending		<u>\$ 1,910,964</u>	

Carteret County, North Carolina

School Special Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues			
Interest	\$ 5,000	\$ 4,795	\$ (205)
Total revenues	5,000	4,795	(205)
Expenditures			
Capital outlay, Board of Education	2,790,443	2,684,625	105,818
Revenues under expenditures	(2,785,443)	(2,679,830)	105,613
Other financing sources			
Transfer from other funds	2,259,800	2,259,800	-
Fund balance appropriated	525,643	-	(525,643)
Total other financing sources	2,785,443	2,259,800	(525,643)
Revenues and other financing sources (under) expenditures	\$ -	(420,030)	\$ (420,030)
Fund balances			
Beginning		566,343	
Ending		\$ 146,313	

Carteret County, North Carolina

County Construction Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2018

	Total Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Interest	\$ -	\$ 10,058	\$ 3,047	\$ 13,105
Total revenues	-	10,058	3,047	13,105
Expenditures				
Capital outlay:				
General services construction	2,481,000	1,145,465	1,221,278	2,366,743
Professional services / design	195,000	199,886	15,715	215,601
Furnishings	100,000	-	105,103	105,103
Total Expenditures	2,776,000	1,345,351	1,342,096	2,687,447
Revenue over (under) expenditures	(2,776,000)	(1,335,293)	(1,339,049)	(2,674,342)
Other financing sources (uses)				
Transfer in from other funds	2,851,000	2,851,000	-	2,851,000
Contingency	(75,000)	-	-	-
Total other financing sources	2,776,000	2,851,000	-	2,851,000
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,515,707	(1,339,049)	\$ 176,658
Fund balance				
Beginning			1,515,707	
Ending			<u>176,658</u>	

Carteret County, North Carolina

2015 School Bond Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2018

	Amended Project Estimate	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Intergovernmental	\$ 56,000	\$ 2,044	54,015	\$ 56,059
Interest	30,000	25,125	6,750	31,875
Total revenues	86,000	27,169	60,765	87,934
Expenditures				
Current:				
Building improvements	4,946,527	3,467,825	1,359,490	4,827,315
Technology improvements	45,000	44,286	-	44,286
Construction management	58,333	58,333	-	58,333
Issuance cost	100,000	82,219	-	82,219
Total expenditures	5,149,860	3,652,663	1,359,490	5,012,153
Revenues under expenditures	(5,063,860)	(3,625,494)	(1,298,725)	(4,924,219)
Other financing sources (uses)				
Long-term debt issued	4,600,000	4,600,000	-	4,600,000
Bond premium	463,860	463,860	-	463,860
Total other financing sources (uses)	5,063,860	5,063,860	-	5,063,860
Revenues over (under) expenditures and other sources	\$ -	\$ 1,438,366	(1,298,725)	\$ 139,641
Fund balances:				
Beginning			1,438,366	
Ending			<u>\$ 139,641</u>	

Carteret County, North Carolina

Carteret Community College Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2018

	Total Project Estimate	Prior Years	Actual Current Year	Total to Date
Expenditures				
Capital outlay:				
Building Improvements	\$ 1,410,000	\$ -	\$ -	\$ -
Land	750,000	735,000	-	735,000
Total expenditures	2,160,000	735,000	-	735,000
Revenues (under) expenditures	(2,160,000)	(735,000)	-	(735,000)
Other financing sources				
Transfer from other funds	2,160,000	1,500,000	660,000	2,160,000
Revenues and other financing sources over expenditures	\$ -	\$ 765,000	660,000	\$ 1,425,000
Fund balances				
Beginning			765,000	
Ending			<u>765,000</u>	<u>\$ 1,425,000</u>

Enterprise Funds



Carteret County, North Carolina

Water Operating Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues, Operating			
Charges for services	\$ 665,000	\$ 674,952	\$ 9,952
Other operating revenue	-	3,927	3,927
Total operating revenues	665,000	678,879	13,879
Expenditures, Operating			
Cost of sales and services:			
Salaries and benefits	317,820	297,917	19,903
Operating expense	551,200	530,495	20,705
Total operating expenditures	869,020	828,412	40,608
Operating revenues over (under) operating expenditures	(204,020)	(149,533)	54,487
Nonoperating Revenues (Expenditures)			
Interest earnings	2,000	9,403	7,403
Interest payments	(66,500)	(65,907)	593
Principal payments	(188,080)	(188,032)	48
Capital outlay	(39,000)	(37,898)	1,102
Total nonoperating revenues (expenditures)	(291,580)	(282,434)	9,146
Revenues under expenditures	(495,600)	(431,967)	63,633
Other Financing Sources (Uses)			
Transfer from other funds	433,600	433,600	-
Fund balance appropriated	62,000	-	(62,000)
Total other financing sources	495,600	433,600	(62,000)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 1,633	\$ 1,633

Reconciliation of modified accrual basis to full accrual basis:

Revenues and other financing uses over expenditures	\$ 1,633
Decrease in debt interest accrued	851
Decrease in accrued vacation pay	4,978
Depreciation	(366,186)
Decrease in deferred outflows of resources pensions	(22,009)
Increase in deferred outflows of resources OPEB	4,028
Decrease in net pension liability	19,907
Increase in OPEB liability	(3,873)
Decrease in deferred inflows of resources pensions	569
Increase in deferred inflows of resources OPEB	(3,835)
Capital outlay	37,898
Principal on debt	188,032
Change in net position	\$ (138,007)

Agency Funds



Carteret County, North Carolina

Agency Funds

Combining Statement of Changes in Fiduciary Net Position
June 30, 2018

	Sheriff's Department Fund	Social Services Trust Fund	Deed of Trust Agency	Cooperative Extension Agency	Totals
Assets					
Cash	\$ 44,596	\$ 53,353	\$ 6,745	\$ 16,164	\$ 120,858
Liabilities					
Accounts payable and accrued liabilities	\$ 44,596	\$ 53,353	\$ 6,745	\$ 16,164	\$ 120,858

Carteret County, North Carolina

Agency Funds

**Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Sheriff's Department Fund:				
Assets, cash	\$ 21,076	\$ 292,610	\$ 269,090	\$ 44,596
Liabilities	\$ 21,076	\$ 292,610	\$ 269,090	\$ 44,596
Social Services Trust Fund:				
Assets, cash	\$ 44,326	\$ 227,168	\$ 218,141	\$ 53,353
Liabilities	\$ 44,326	\$ 227,168	\$ 218,141	\$ 53,353
Deed of Trust Agency:				
Assets, cash	\$ 8,004	\$ 74,425	\$ 75,684	\$ 6,745
Liabilities	\$ 8,004	\$ 74,425	\$ 75,684	\$ 6,745
Cooperative Extension Agency:				
Assets, cash	\$ 22,413	\$ 7,115	\$ 13,364	\$ 16,164
Liabilities	\$ 22,413	\$ 7,115	\$ 13,364	\$ 16,164
Totals - All Agency Funds:				
Assets, cash	\$ 95,819	\$ 601,318	\$ 576,279	\$ 120,858
Liabilities:				
Accounts payable and accrued liabilities	\$ 95,819	\$ 601,318	\$ 576,279	\$ 120,858

Capital Assets Used
in the Operation of
Governmental Funds



Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

**Comparative Schedules by Source
June 30, 2018**

	2018	2017
Governmental funds capital assets:		
Land, airport	\$ 169,549	\$ 169,549
Land, other	5,056,328	4,920,704
Construction in progress	2,711,894	1,345,351
Buildings	25,785,376	25,721,527
Vehicles	5,733,736	4,955,965
Equipment	6,035,043	5,787,564
Airport facilities	1,524,747	1,524,747
Other improvements	10,766,748	10,766,748
Leasehold improvements	2,590,428	2,590,428
Total governmental funds capital assets	\$ 60,373,849	\$ 57,782,583
Investment in governmental funds capital assets		
General Fund	\$ 51,251,866	\$ 50,148,624
Capital Project Funds	9,121,983	7,633,959
Total investment in governmental funds capital assets	\$ 60,373,849	\$ 57,782,583

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity
June 30, 2018

Function and Activity	Land	Buildings	Vehicles	Equipment
General Government:				
County Administration	\$ -	\$ -	\$ -	\$ 25,802
Tax Administration	289,817	114,001	91,735	251,283
Register of Deeds	-	17,665	-	208,909
Elections	-	-	-	687,837
Information Technology	-	-	-	1,572,719
Public Buildings	1,479,349	5,861,108	242,706	6,394
Other	-	-	-	12,761
Total General Government	1,769,166	5,992,774	334,441	2,765,705
Public Safety:				
Law Enforcement	417,991	8,614,309	1,921,139	126,500
Emergency Services	43,000	80,699	499,772	1,308,088
Total Public Safety	460,991	8,695,008	2,420,911	1,434,588
Transportation	230,589	-	1,098,528	-
Environmental Protection	153,877	24,400	424,341	398,834
Economic and Physical Development	506,411	-	185,859	108,619
Human Services	303,778	7,240,066	1,041,715	538,539
Culture and Recreation	1,801,065	3,833,128	227,941	788,758
Total governmental funds capital assets	\$ 5,225,877	\$ 25,785,376	\$ 5,733,736	\$ 6,035,043

Airport Facilities	Other Improvements	Leasehold Improvements	Construction in Progress	Total
\$ -	\$ -	\$ -	\$ -	\$ 25,802
-	-	-	-	746,836
-	16,000	-	-	242,574
-	-	-	-	687,837
-	116,944	-	-	1,689,663
-	2,089,997	-	-	9,679,554
-	-	-	-	12,761
-	2,222,941	-	-	13,085,027
-	249,590	-	-	11,329,529
-	-	1,108,727	-	3,040,286
-	249,590	1,108,727	-	14,369,815
1,524,747	41,142	-	-	2,895,006
-	97,560	-	2,687,447	3,786,459
-	-	-	-	800,889
-	-	-	-	9,124,098
-	8,155,515	1,481,701	24,447	16,312,555
\$ 1,524,747	\$ 10,766,748	\$ 2,590,428	\$ 2,711,894	\$ 60,373,849

Carteret County, North Carolina

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2018

Function and Activity	Governmental Funds				Governmental Funds
	Capital Assets June 30, 2017	Additions	Deductions	Transfers	Capital Assets June 30, 2018
General Government:					
County administration	\$ 25,802	\$ -	\$ -	\$ -	\$ 25,802
Tax administration	599,587	147,249	-	-	746,836
Register of Deeds	299,444	-	56,870	-	242,574
Elections	687,837	-	-	-	687,837
Information technology	1,565,089	225,996	101,422	-	1,689,663
Public buildings	9,623,816	55,738	-	-	9,679,554
Other	12,761	-	-	-	12,761
Total General Government	12,814,336	428,983	158,292	-	13,085,027
Public Safety:					
Law enforcement	11,031,915	320,504	22,890	-	11,329,529
Emergency services	2,966,992	73,294	-	-	3,040,286
Total Public Safety	13,998,907	393,798	22,890	-	14,369,815
Transportation	2,602,484	292,522	-	-	2,895,006
Environmental protection	2,380,060	1,406,399	-	-	3,786,459
Economic and physical development	773,857	45,608	18,576	-	800,889
Human services	9,077,847	82,065	35,814	-	9,124,098
Culture and recreation	16,135,092	182,503	5,040	-	16,312,555
Total governmental funds capital assets	\$ 57,782,583	\$ 2,831,878	\$ 240,612	\$ -	\$ 60,373,849

Other Financial Data



Other Financial Information

Other financial information includes additional detailed analysis of particular aspects of the County's financial position or results of operations.

Carteret County, North Carolina

**Schedule of Ad Valorem Taxes Receivable
June 30, 2018**

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections	Adjustments	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 46,325,347	\$ 45,175,396	\$ (157,226)	\$ 992,725
2016-2017	1,037,551	-	470,280	(14,006)	553,265
2015-2016	477,244	-	147,984	1,062	330,322
2014-2015	365,843	-	106,357	(3,916)	255,570
2013-2014	263,953	-	61,180	(3,416)	199,357
2012-2013	233,073	-	44,718	(2,147)	186,208
2011-2012	174,735	-	34,238	(328)	140,169
2010-2011	103,933	-	29,296	(108)	74,529
2009-2010	86,690	-	19,307	(32)	67,351
2008-2009	65,887	-	14,856	(26)	51,005
2007-2008	6,070	-	1,323	1,230	5,977
	<u>\$ 2,814,979</u>	<u>\$ 46,325,347</u>	<u>\$ 46,104,935</u>	<u>\$ (178,913)</u>	<u>2,856,478</u>
Less write-off 2007-2008 tax year					<u>(5,977)</u>
					<u>2,850,501</u>
Less allowance for uncollectible ad valorem taxes receivable					<u>129,550</u>
Net property taxes receivable - General Fund					<u>\$ 2,720,951</u>
Reconciliation with revenue: Ad valorem taxes - General Fund					<u>\$ 46,104,935</u>

Carteret County, North Carolina

Analysis of Current Year's Tax Levy
Year Ended June 30, 2018

	<u>County Wide</u>			<u>Total Levy</u>	
	<u>Property</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property</u>	<u>Registered</u>
	<u>Valuation</u>			<u>Excluding</u>	<u>Motor Vehicles</u>
				<u>Registered</u>	<u>Registered</u>
				<u>Motor Vehicles</u>	<u>Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 14,943,660,323	0.31	\$ 46,325,347	\$ 43,975,675	\$ 2,349,672
Total	14,943,660,323		46,325,347	43,975,675	2,349,672
Discoveries:					
Current year taxes	16,319,355		50,590	50,590	-
Corrections	(4,238,065)		(13,138)	(13,138)	-
Total	12,081,290		37,452	37,452	-
Abatements	(62,799,355)		(194,678)	(194,678)	-
Total property valuation	\$ 14,892,942,258				
Net levy-General Fund			46,168,121	43,818,449	2,349,672
Uncollected taxes at June 30, 2018 - General Fund			992,725	992,725	-
Current year's taxes collected - General Fund			\$ 45,175,396	\$ 42,825,724	\$ 2,349,672
Current levy collection percentage - General Fund			97.85%	97.73%	100.00%

Statistical Section



Statistical Section (Unaudited)

This part of the Carteret County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
-----------------	-------------

Financial Trends	166
-------------------------	------------

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity	180
-------------------------	------------

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity	192
----------------------	------------

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information	199
---	------------

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information	204
------------------------------	------------

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information included in these schedules and charts is derived for the comprehensive annual financial reports ("CAFR") and is provided for additional analysis purposes only and has not been verified by audit as presented.

Carteret County, North Carolina

**Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 22,484,382	\$ 24,050,669	\$ 26,022,027	\$ 26,469,612
Restricted	13,043,008	15,431,921	24,524,242	24,685,705
Unrestricted	(28,471,360)	(32,695,396)	(41,158,484)	(33,049,640)
Total governmental activities net position	\$ 7,056,030	\$ 6,787,194	\$ 9,387,785	\$ 18,105,677
Business-type activities				
Net investment in capital assets	\$ 3,634,160	\$ 4,098,772	\$ 4,079,804	\$ 5,416,107
Unrestricted	553,518	190,973	516,359	(851,225)
Total business-type activities	\$ 4,187,678	\$ 4,289,745	\$ 4,596,163	\$ 4,564,882
Primary government				
Net investment in capital assets	\$ 26,118,542	\$ 28,149,441	\$ 30,101,831	\$ 31,885,719
Restricted	13,043,008	15,431,921	24,524,242	24,685,705
Unrestricted	(27,917,842)	(32,504,423)	(40,642,125)	(33,900,865)
Total primary government net position	\$ 11,243,708	\$ 11,076,939	\$ 13,983,948	\$ 22,670,559

Schedule 1

2013	2014	2015	2016	2017	2018
\$ 25,250,857	\$ 23,480,626	\$ 22,736,938	\$ 24,089,921	\$ 22,009,903	\$ 22,912,344
17,586,592	20,852,514	23,967,802	31,480,559	31,325,245	31,744,580
(23,716,266)	(14,716,290)	(8,948,033)	(9,879,406)	(3,998,944)	(281,156)
\$ 19,121,183	\$ 29,616,850	\$ 37,756,707	\$ 45,691,074	\$ 49,336,204	\$ 54,375,768
\$ 5,558,997	\$ 5,353,434	\$ 5,133,724	\$ 4,900,315	\$ 4,721,740	\$ 4,581,483
656,050	700,030	816,057	908,143	913,436	835,400
\$ 6,215,047	\$ 6,053,464	\$ 5,949,781	\$ 5,808,458	\$ 5,635,176	\$ 5,416,883
\$ 30,809,854	\$ 28,834,060	\$ 27,870,662	\$ 28,990,236	\$ 26,731,643	\$ 27,493,827
17,586,592	20,852,514	23,967,802	31,480,559	31,325,245	31,744,580
(23,060,216)	(14,016,260)	(8,131,976)	(8,971,263)	(3,085,508)	554,244
\$ 25,336,230	\$ 35,670,314	\$ 43,706,488	\$ 51,499,532	\$ 54,971,380	\$ 59,792,651

Carteret County, North Carolina

**Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 6,558,268	\$ 6,369,989	\$ 6,290,765	\$ 5,926,629
Public safety	16,599,129	16,919,404	19,094,741	17,566,816
Transportation	858,784	907,113	1,107,365	1,288,106
Economic and physical development	5,207,919	4,469,445	4,925,627	6,917,827
Environmental protection	3,105,363	3,130,735	3,274,042	4,032,723
Human Services	16,302,247	15,071,578	15,713,990	15,880,099
Cultural and recreation	3,182,526	4,198,808	2,108,234	3,469,307
Education	35,465,104	31,982,375	28,623,466	25,368,980
Interest on long term debt	3,493,485	3,197,911	3,087,406	2,794,930
Total governmental activities	90,772,825	86,247,358	84,225,636	83,245,417
Business-type activities:				
Water	934,919	798,432	849,324	815,298
Total primary government expenses	\$ 91,707,744	\$ 87,045,790	\$ 85,074,960	\$ 84,060,715

(Continued)

2013	2014	2015	2016	2017	2018
\$ 5,946,901	\$ 6,442,611	\$ 6,949,982	\$ 7,278,369	\$ 9,236,447	\$ 8,144,384
18,335,600	18,792,650	19,162,990	18,561,573	20,595,208	20,981,474
2,447,821	1,076,768	1,442,425	1,066,561	1,837,842	1,628,539
12,020,756	5,031,505	5,538,785	7,064,127	5,691,825	6,248,400
3,150,593	3,158,629	3,417,029	2,060,267	3,671,733	3,835,482
15,277,891	15,324,864	15,635,355	16,754,822	16,666,930	15,878,033
3,485,610	3,783,152	3,711,166	4,452,951	4,222,782	4,159,922
25,364,930	24,135,533	27,466,650	27,494,565	31,315,293	29,442,864
2,095,322	2,097,621	1,596,808	1,594,653	1,452,491	1,284,366
88,125,424	79,843,333	84,921,190	86,327,888	94,690,551	91,603,464
909,307	1,027,308	983,971	1,045,568	1,118,055	1,259,889
\$ 89,034,731	\$ 80,870,641	\$ 85,905,161	\$ 87,373,456	\$ 95,808,606	\$ 92,863,353

Carteret County, North Carolina

**Changes in Net Position
Last Ten Fiscal Years (Continued)
(accrual basis of accounting)**

	Fiscal Year			
	2009	2010	2011	2012
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 1,561,770	\$ 1,477,628	\$ 1,486,751	\$ 1,642,152
Public safety	174,213	162,804	186,134	173,546
Transportation	95,664	125,360	327,244	225,239
Economic and physical development	414,507	435,466	511,550	575,489
Environmental protection	2,247,269	2,243,091	2,214,925	2,189,986
Human services	415,474	382,602	330,817	346,126
Cultural and recreation	203,376	213,789	238,376	277,774
Operating grants and contributions:				
General government	68,319	38,218	-	5,465
Public safety	1,408,259	1,264,069	1,725,254	1,438,146
Transportation	389,394	403,443	162,064	352,943
Economic and physical development	848,310	665,788	129,447	889,989
Environmental protection	16,114	22,176	15,542	859,246
Human services	8,402,963	8,494,321	9,274,540	9,074,506
Cultural and recreation	-	7,365	3,242	405
Education	136,401	148,415	255,946	53,241
Interest on long term debt	1,377,380	700,000	800,000	988,351
Capital grants and contributions:				
Public safety	-	-	57,660	26,169
Transportation	-	-	251,957	2,400
Economic and physical development	158,668	-	-	354,984
Cultural and recreation	1,134,485	236,993	194,693	111,784
Education	387,070	-	-	87,984
Total governmental activities program revenues	19,439,636	17,021,528	18,166,142	19,675,925

(Continued)

	2013	2014	2015	2016	2017	2018
\$	1,638,250	\$ 1,552,817	\$ 1,612,251	\$ 1,768,252	\$ 1,805,126	\$ 1,896,230
	308,908	293,299	212,708	290,455	269,190	276,373
	184,316	193,228	177,027	135,956	140,384	157,348
	611,160	513,351	544,236	646,629	805,826	862,490
	2,198,355	2,398,662	2,431,367	3,299,900	3,271,073	3,451,334
	334,799	370,946	367,114	642,414	816,799	489,837
	252,227	269,228	297,915	318,530	361,398	350,294
	22,592	-	-	-	-	-
	1,067,750	1,150,055	1,201,955	1,187,152	1,249,821	892,343
	525,199	643,090	737,800	778,800	1,071,285	1,092,649
	1,103,253	119,025	547,165	95,577	661,609	342,557
	3,885	406,301	149,085	295,188	216,576	174,854
	9,652,900	9,349,318	10,211,027	10,372,796	10,836,099	9,272,539
	1,280	26,761	88,314	-	-	-
	71,025	45,159	48,172	40,695	36,276	32,605
	965,660	921,831	904,198	865,552	762,829	742,161
	-	-	-	-	-	-
	305,185	-	-	222,389	26,130	274,956
	-	-	-	-	-	22,481
	-	-	-	168,320	175,470	5,500
	-	-	-	-	2,044	54,015
	19,246,744	18,253,071	19,530,334	21,128,605	22,507,935	20,390,566

Carteret County, North Carolina

**Changes in Net Position
Last Ten Fiscal Years (Continued)
(accrual basis of accounting)**

	Fiscal Year			
	2009	2010	2011	2012
Business-type activities:				
Charge for services - Water	\$ 573,359	\$ 564,172	\$ 457,668	\$ 526,067
Capital grants and contributions - Water	167,757	115,605	384,395	3,618
Total business-type activities program revenues	741,116	679,777	842,063	529,685
Total primary government program revenues	\$ 20,180,752	\$ 17,701,305	\$ 19,008,205	\$ 20,205,610
Governmental activities	\$ (71,333,189)	\$ (69,225,830)	\$ (66,059,494)	\$ (63,569,492)
Business-type activities	(193,803)	(118,655)	(7,261)	(285,613)
Total primary government net (expense)/revenue	\$ (71,526,992)	\$ (69,344,485)	\$ (66,066,755)	\$ (63,855,105)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 50,175,809	\$ 50,528,632	\$ 51,159,340	\$ 51,442,461
Local option sales tax	14,210,399	12,277,230	12,051,519	12,895,813
Other taxes	4,542,881	4,398,904	4,595,602	4,748,326
Intergovernmental	263,104	462,860	677,029	780,738
Investment earnings	1,593,849	790,705	401,788	539,146
Miscellaneous	60,939	703,663	79,807	2,125,900
Special Item	-	-	-	-
Transfers	(258,000)	(205,000)	(305,000)	(245,000)
Total governmental activities	70,588,981	68,956,994	68,660,085	72,287,384
Business-type activities:				
Investment earnings	16,840	15,722	8,679	9,332
Intergovernmental, unrestricted	-	-	-	-
Miscellaneous	-	-	-	-
Transfers	258,000	205,000	305,000	245,000
Total business-type activities	274,840	220,722	313,679	254,332
Total primary government	\$ 70,863,821	\$ 69,177,716	\$ 68,973,764	\$ 72,541,716
Change in Net Position				
Governmental activities	\$ (744,208)	\$ (268,836)	\$ 2,600,591	\$ 8,717,892
Business-type activities	81,037	102,067	306,418	(31,281)
Total primary government	\$ (663,171)	\$ (166,769)	\$ 2,907,009	\$ 8,686,611

2013	2014	2015	2016	2017	2018
\$ 575,338	\$ 562,238	\$ 576,057	\$ 576,598	\$ 584,344	\$ 678,879
1,751,350	-	-	-	-	-
2,326,688	562,238	576,057	576,598	584,344	678,879
\$ 21,573,432	\$ 18,815,309	\$ 20,106,391	\$ 21,705,203	\$ 23,092,279	\$ 21,069,445
\$ (68,878,680)	\$ (61,590,262)	\$ (65,390,856)	\$ (65,199,283)	\$ (72,182,616)	\$ (71,212,898)
1,417,381	(465,070)	(407,914)	(468,970)	(533,711)	(581,010)
\$ (67,461,299)	\$ (62,055,332)	\$ (65,798,770)	\$ (65,668,253)	\$ (72,716,327)	\$ (71,793,908)
\$ 50,250,954	\$ 50,921,192	\$ 52,302,979	\$ 49,616,653	\$ 52,093,862	\$ 53,338,473
13,718,008	13,640,870	14,800,458	15,429,458	15,628,026	17,148,416
4,615,833	5,240,019	6,476,176	6,761,921	7,077,155	7,626,941
793,818	964,088	966,265	1,073,420	1,144,245	1,084,553
(69,957)	285,376	198,419	269,450	359,363	633,393
142,562	205,888	764,879	306,748	251,132	285,414
2,000,000	1,128,496	-	-	-	-
(231,565)	(300,000)	(324,000)	(324,000)	(355,000)	(433,600)
71,219,653	72,085,929	75,185,176	73,133,650	76,198,783	79,683,590
1,219	3,487	2,200	3,647	4,881	9,403
-	-	-	-	-	-
-	-	1,163	-	548	-
231,565	300,000	324,000	324,000	355,000	433,600
232,784	303,487	327,363	327,647	360,429	443,003
\$ 71,452,437	\$ 72,389,416	\$ 75,512,539	\$ 73,461,297	\$ 76,559,212	\$ 80,126,593
\$ 2,340,973	\$ 10,495,667	\$ 9,794,320	\$ 7,934,367	\$ 4,016,167	\$ 8,470,692
1,650,165	(161,583)	(80,551)	(141,323)	(173,282)	(138,007)
\$ 3,991,138	\$ 10,334,084	\$ 9,713,769	\$ 7,793,044	\$ 3,842,885	\$ 8,332,685



**Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)**

	2009	2010
General Fund		
Reserved for:		
State statute	\$ 6,537,961	\$ 5,668,864
Sheriff's fund	120,361	84,052
Recreation districts	89,129	89,129
Health programs	973,892	907,160
Register of deeds	325,898	274,802
Beach nourishment	7,665,277	9,550,285
Total reserve	15,712,518	16,574,292
Unreserved:		
Designated for subsequent year's expenditures	-	307,505
Undesignated	23,791,470	25,445,763
Total General Fund	\$ 39,503,988	\$ 42,327,560
All Other Governmental Funds		
Reserved for:		
Special districts	\$ 1,809,004	\$ 2,430,758
	1,809,004	2,430,758
Unreserved:		
Designated for subsequent year's expenditures	12,882,665	1,906,995
Undesignated special revenue funds	1,405,876	948,533
Undesignated capital projects funds	3,473,937	4,280,372
Total all other governmental funds	\$ 19,571,482	\$ 9,566,658

Carteret County, North Carolina

**Fund Balances, Governmental funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)**

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Restricted:				
Stabilization by state statute	\$ 8,696,639	\$ 7,544,942	\$ 5,614,618	\$ 5,613,195
Sheriff's fund	264,217	277,168	403,907	437,789
Recreation districts	94,790	102,739	102,739	102,739
Health programs	931,719	919,286	812,855	797,986
Register of deeds	311,834	341,557	383,149	375,918
Beach nourishment	10,455,564	11,102,845	5,723,261	7,312,865
Economic development	-	-	-	1,705,420
Total restricted	20,754,763	20,288,537	13,040,529	16,345,912
Assigned:				
Subsequent year's expenditures	908,485	1,441,215	1,000,000	5,254,210
Unassigned	21,762,773	25,101,604	30,527,492	30,092,051
Total General Fund	\$ 43,426,021	\$ 46,831,356	\$ 44,568,021	\$ 51,692,173
All Other Governmental Funds				
Restricted:				
Public safety	\$ 401,499	\$ 594,250	\$ 766,750	\$ 688,078
Rescue protection	1,150,690	1,386,031	1,150,716	713,377
Fire protection	1,734,943	2,002,963	1,601,729	1,723,198
School capital	2,735,522	1,958,941	12,114	12,139
Economic development	751,509	896,556	1,041,645	1,290,682
Total restricted	6,774,163	6,838,741	4,572,954	4,427,474
Committed:				
Economic development	721,756	728,994	729,674	732,706
County capital	-	-	500,000	403,529
School capital	432,914	543,229	1,540,719	903,468
Community college capital	-	-	-	-
Assigned:				
Subsequent year's expenditures	161,271	101,360	779,040	1,451,065
County capital	1,675,102	1,308,319	1,083,346	1,005,471
Unassigned:				
Special revenue funds	(680,935)	(786,060)	(855,743)	(1,033,467)
Total all other governmental funds	\$ 9,084,271	\$ 8,734,583	\$ 8,349,990	\$ 7,890,246

Note: The County made the option to adopt GASB 54 fund balance presentation prospectively.

Schedule 3
Page 2 of 2

2015	2016	2017	2018
\$ 6,457,421	\$ 6,608,370	\$ 6,881,419	\$ 7,170,172
426,804	508,301	547,341	329,103
104,081	104,081	116,336	33,898
615,523	364,036	121,577	481,368
394,275	297,572	264,390	203,560
10,283,851	13,083,623	15,986,798	18,631,010
1,128,497	1,128,496	1,096,663	617,948
19,410,452	22,094,479	25,014,524	27,467,059
3,717,325	3,775,000	5,205,000	5,324,430
30,644,570	27,941,462	28,626,430	29,046,079
\$ 53,772,347	\$ 53,810,941	\$ 58,845,954	\$ 61,837,568
\$ 881,162	\$ 1,238,771	\$ 1,003,977	\$ 918,267
820,427	927,601	710,162	862,519
1,656,221	1,261,069	1,493,758	1,249,282
-	4,512,122	1,438,366	139,641
1,494,748	1,578,144	1,457,269	1,500,474
4,852,558	9,517,707	6,103,532	4,670,183
734,594	-	-	-
403,529	267,038	231,541	74,436
2,130,637	1,157,070	566,343	146,313
-	750,000	765,000	1,425,000
2,139,650	1,113,105	593,185	774,740
820,877	3,581,667	3,268,990	3,910,622
(1,181,701)	(1,295,796)	(1,203,874)	(1,226,875)
\$ 9,900,144	\$ 15,090,791	\$ 10,324,717	\$ 9,774,419

Carteret County, North Carolina

**Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Taxes:				
Property	\$ 49,678,930	\$ 50,200,352	\$ 50,519,817	\$ 51,069,950
Sales and other taxes	18,753,280	16,676,134	16,647,121	17,644,139
Total taxes	68,432,210	66,876,486	67,166,938	68,714,089
Permits and fees	2,484,066	2,355,405	2,407,908	2,590,236
Intergovernmental	14,544,225	12,341,283	13,642,310	15,026,351
Sales and services	2,605,889	2,681,926	2,710,406	2,840,076
Interest	1,593,849	790,705	401,788	539,146
Miscellaneous	149,586	156,290	164,968	211,118
Total revenues	89,809,825	85,202,095	86,494,318	89,921,016
Expenditures				
General government	5,821,968	5,852,801	5,710,894	5,402,432
Public safety	16,424,222	16,291,686	18,135,931	16,863,612
Transportation	941,321	781,852	952,210	1,159,848
Environmental protection	3,070,121	3,104,110	3,189,081	4,014,786
Economic development	5,189,267	4,441,078	4,889,167	6,862,298
Human services	15,774,335	14,618,041	15,221,814	15,598,191
Culture and recreation	2,685,231	2,632,473	1,590,158	2,774,024
Education	22,851,145	21,888,541	28,623,466	22,306,178
Capital outlay	15,564,833	13,242,438	3,505,755	3,689,741
Debt service:				
Principal	13,243,078	6,217,427	6,465,073	6,615,517
Interest	4,077,579	3,188,650	2,943,555	2,883,139
Bond issuance cost	-	-	-	-
Total expenditures	105,643,100	92,259,097	91,227,104	88,169,766
Excess (deficiency) of of revenues over (under) expenditures	(15,833,275)	(7,057,002)	(4,732,786)	1,751,250
Other financing sources (uses):				
Transfers in	4,652,822	4,567,901	4,773,110	4,218,376
Transfers out	(4,910,822)	(4,772,901)	(5,078,110)	(4,463,376)
Proceeds from sale of capital assets	-	80,750	5,653,860	1,531,514
Special item	-	-	-	-
Bond premium	-	-	-	-
Bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	10,029,942
Payment to refunding escrow agent	-	-	-	(10,012,059)
Proceeds from installment note	11,138,924	-	-	-
Total other financing sources (uses)	10,880,924	(124,250)	5,348,860	1,304,397
Net change in fund balance	\$ (4,952,351)	\$ (7,181,252)	\$ 616,074	\$ 3,055,647
Debt service as a percentage of noncapital expenditures	16.50%	10.33%	10.77%	10.92%

Schedule 4

	2013	2014	2015	2016	2017	2018
\$	50,110,266	\$ 50,941,906	\$ 52,173,675	\$ 49,621,522	\$ 51,948,681	\$ 52,974,061
	18,333,841	18,880,889	21,276,634	22,191,379	22,705,181	24,775,357
	68,444,107	69,822,795	73,450,309	71,812,901	74,653,862	77,749,418
	2,781,510	2,575,469	2,592,668	3,103,209	3,480,181	3,777,112
	14,512,547	13,625,628	14,853,980	15,099,889	16,180,325	13,416,534
	2,746,505	3,016,062	3,049,951	3,998,927	3,989,615	4,202,268
	(69,957)	285,376	198,419	269,450	359,363	633,393
	118,669	172,353	647,154	325,215	288,839	210,419
	88,533,381	89,497,683	94,792,481	94,609,591	98,952,185	99,989,144
	5,697,525	6,160,049	6,689,088	7,653,713	7,451,324	7,741,029
	17,548,136	18,122,055	18,728,679	18,092,186	19,862,881	20,430,532
	2,658,305	918,872	1,295,944	1,214,961	1,029,693	1,439,418
	3,104,387	3,132,347	3,395,439	3,576,906	3,645,840	3,854,481
	5,782,737	4,922,228	5,582,073	5,548,594	6,125,261	6,250,741
	14,814,576	14,719,500	15,639,871	16,312,094	16,049,596	15,286,265
	2,889,936	3,191,895	3,190,144	3,474,047	3,430,211	3,591,363
	21,265,441	21,816,743	24,173,981	23,551,049	25,173,000	25,398,749
	10,484,171	2,837,981	3,538,776	6,583,987	8,736,799	6,118,397
	6,174,180	6,520,683	6,145,377	6,393,040	6,513,867	5,661,914
	2,558,945	2,280,183	2,067,935	1,719,633	1,583,634	1,341,339
	-	-	107,922	-	-	-
	92,978,339	84,622,536	90,555,229	94,120,210	99,602,106	97,114,228
	(4,444,958)	4,875,147	4,237,252	489,381	(649,921)	2,874,916
	11,921,740	4,911,458	8,725,677	9,606,950	7,227,485	9,228,949
	(12,153,305)	(5,211,458)	(9,049,677)	(9,930,950)	(7,582,485)	(9,662,549)
	2,000,000	53,765	58,782	-	-	-
	-	1,128,496	-	-	1,273,860	-
	2,624,435	-	-	463,860	-	-
	-	-	-	4,600,000	-	-
	12,700,000	-	12,250,000	-	-	-
	(15,077,852)	-	(12,131,962)	-	-	-
	-	907,000	-	-	-	-
	2,015,018	1,789,261	(147,180)	4,739,860	918,860	(433,600)
\$	(2,429,940)	\$ 6,664,408	\$ 4,090,072	\$ 5,229,241	\$ 268,939	\$ 2,441,316
	9.52%	10.52%	9.26%	8.94%	8.36%	7.42%

Carteret County, North Carolina

**Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Real Property				Total
	Residential Property	Commercial Property	Industrial Property	Present-use Value (1)	
2009	\$ 16,851,863,536	\$ 1,439,131,806	\$ 56,477,589	\$ 72,487,688	\$ 18,419,960,619
2010	16,549,686,285	1,512,887,462	38,970,411	61,707,853	18,163,252,011
2011	16,534,261,525	1,571,423,205	36,106,300	69,952,621	18,211,743,651
2012 ⁽⁵⁾	12,615,264,192	1,271,552,597	27,011,645	68,607,085	13,982,435,519
2013	12,928,563,319	1,021,551,269	34,868,391	68,507,500	14,053,490,479
2014	12,977,674,352	1,026,639,566	35,108,082	69,700,524	14,109,122,524
2015	13,066,163,985	1,022,301,188	33,593,356	70,263,592	14,192,322,121
2016 ⁽⁵⁾	11,863,427,000	1,158,966,816	40,894,377	60,528,976	13,123,817,169
2017	12,028,089,441	1,138,917,384	40,521,183	61,238,487	13,268,766,495
2018	12,162,660,612	1,137,063,586	35,910,900	60,610,484	13,396,245,582

Source:

- (1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years' taxes are then required to be paid.
- (2) Public service companies' valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (3) Per \$100 of value.
- (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the North Carolina Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (5) Revaluation Years

Schedule 5

Personal Property	Public Service Companies (2)	Total Assessed Valuation	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
\$ 473,475,911	\$ 135,389,122	\$ 19,028,825,652	0.23	\$ 17,778,631,807
847,540,430	143,635,821	19,154,428,262	0.23	16,731,393,087
935,669,710	140,251,857	19,287,665,218	0.23	15,091,511,700
952,555,055	137,116,774	15,072,107,348	0.30	15,072,107,348
990,156,693	134,766,034	15,178,413,206	0.29	15,178,413,206
1,212,368,458	129,665,570	15,451,156,552	0.29	15,451,156,552
1,049,826,237	123,526,642	15,365,675,000	0.30	15,365,675,000
1,232,232,454	142,852,043	14,498,901,666	0.30	14,498,901,666
1,307,233,688	144,399,817	14,720,400,000	0.31	14,851,089,588
1,350,774,902	145,921,774	14,892,942,258	0.31	15,892,585,912



Property Tax Rates - Direct and Overlapping Governments - Summary
(Per \$100.00 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	Carteret County Operating Mileage	Overlapping Rates ¹		Total Direct and Overlapping Rates
		Municipalities Operating Mileage	Special Districts	
2009	0.2300	1.4550	1.8040	3.4890
2010	0.2300	1.4950	1.9090	3.6340
2011	0.2300	1.5400	1.9640	3.7340
2012	0.3000	1.8880	2.0560	4.2440
2013	0.2900	1.9180	1.9985	4.2065
2014	0.2900	1.9030	1.9835	4.1765
2015	0.3000	1.9630	1.9485	4.2115
2016	0.3000	2.0865	1.9810	4.3675
2017	0.3100	2.1315	2.0663	4.5078
2018	0.3100	2.1615	2.1185	4.5900

Source: Carteret County Tax Department

¹ Overlapping rates are those of municipal governments and special districts that apply to property owners within the County. Not all overlapping rates apply to all County property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

The following table provides the detail of the municipalities and special taxing districts for 10 years.

Carteret County, North Carolina

**Property Tax Rates - Direct and Overlapping Governments - Detail
(Per \$100.00 of Assessed Value)
Last Ten Fiscal Years**

	Fiscal Year			
	2009	2010	2011	2012
Carteret County	0.2300	0.2300	0.2300	0.3000
Municipalities				
Atlantic Beach	0.1250	0.1250	0.1250	0.1700
Beaufort	0.2200	0.2200	0.2200	0.2600
Bogue	0.0500	0.0500	0.0500	0.0500
Cape Carteret	0.1550	0.1400	0.1400	0.1625
Cedar Point	0.0500	0.0550	0.0550	0.0625
Emerald Isle	0.0700	0.0700	0.0800	0.1150
Indian Beach	0.1100	0.1400	0.1500	0.2150
Morehead City	0.2200	0.2200	0.2200	0.2850
Newport	0.2900	0.3100	0.3300	0.3570
Pelletier	0.0500	0.0500	0.0550	0.0550
Pine Knoll Shores	0.1150	0.1150	0.1150	0.1560
Fire Districts				
Atlantic	0.0700	0.0700	0.0700	0.0700
Beaufort	0.0350	0.0350	0.0550	0.0550
Broad & Gales Creek	0.0450	0.0450	0.0300	0.0300
Cedar Island	0.1000	0.1000	0.1000	0.1000
Davis	0.0900	0.0900	0.0850	0.0850
Harkers Island	0.0400	0.0650	0.0700	0.0800
Harlowe	0.0450	0.0550	0.0600	0.0750
Marshallberg	0.0850	0.0800	0.0900	0.0900
Mill Creek	0.0450	0.0450	0.0450	0.0450
Mitchell Village	0.0750	0.0750	0.0750	0.0750
Newport	0.0700	0.0700	0.0700	0.0700
North River	0.0450	0.0900	0.0900	0.0900
Otway	0.0500	0.0500	0.0500	0.0550
Salter Path	0.0300	0.0300	0.0300	0.0500
Sea Level	0.1000	0.1000	0.1000	0.0950
South River/ Merrimon	0.0350	0.0600	0.0600	0.0600
Stacy	0.0700	0.0700	0.0850	0.0850
Stella	0.0200	0.0250	0.0400	0.0400
Western Carteret	0.0400	0.0400	0.0400	0.0400
Wildwood	0.0600	0.0600	0.0650	0.0850

(Continued)

Schedule 7
Page 1 of 2

2013	2014	2015	2016	2017	2018
0.2900	0.2900	0.3000	0.3000	0.3100	0.3100
0.1700	0.1650	0.1650	0.1650	0.1650	0.1650
0.3000	0.3000	0.3300	0.3475	0.3475	0.3775
0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
0.1525	0.1525	0.1525	0.1525	0.1975	0.1975
0.0625	0.0625	0.0625	0.0625	0.0625	0.0625
0.1150	0.1250	0.1400	0.1550	0.1550	0.1550
0.2150	0.1650	0.1650	0.1950	0.1950	0.1950
0.2850	0.3150	0.3300	0.3500	0.3500	0.3500
0.3570	0.3570	0.3570	0.3570	0.3570	0.3570
0.0550	0.0550	0.0550	0.0550	0.0550	0.0550
0.1560	0.1560	0.1560	0.1970	0.1970	0.1970
0.0700	0.0700	0.0700	0.0800	0.0800	0.0800
0.0550	0.0550	0.0550	0.0550	0.0550	0.0550
0.0300	0.0300	0.0300	0.0300	0.0400	0.0400
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0850	0.0850	0.0850	0.0850	0.0850	0.0850
0.0800	0.0700	0.0700	0.0850	0.1100	0.1100
0.0750	0.0750	0.0750	0.0750	0.0750	0.0750
0.0900	0.0900	0.0900	0.0975	0.0975	0.0900
0.0450	0.0450	0.0450	0.0450	0.0450	0.0450
0.0650	0.0550	0.0500	0.0500	0.0500	0.0500
0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
0.0900	0.0900	0.0900	0.0900	0.0900	0.0700
0.0550	0.0700	0.0700	0.0700	0.0800	0.0800
0.0600	0.0600	0.0600	0.0600	0.0700	0.0700
0.0950	0.0950	0.0950	0.0950	0.0950	0.0950
0.0600	0.0600	0.0600	0.0600	0.0600	0.0600
0.0850	0.0850	0.0850	0.0850	0.0850	0.0850
0.0400	0.0400	0.0400	0.0400	0.0400	0.0800
0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
0.0850	0.0850	0.0675	0.0675	0.0675	0.0675

Carteret County, North Carolina

Property Tax Rates - Direct and Overlapping Governments - Detail (Continued)

(Per \$100.00 of Assessed Value)

Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Rescue Districts				
Beaufort	0.0400	0.0450	0.0450	0.0500
Broad & Gales Creek	0.0350	0.0300	0.0300	0.0300
Mill Creek	0.0450	0.0450	0.0450	0.0450
Mitchell Village	0.0400	0.0400	0.0400	0.0400
Otway	0.0300	0.0300	0.0300	0.0300
Sea Level	0.1200	0.1200	0.1200	0.0800
Western Carteret	0.0300	0.0300	0.0300	0.0300
Beach Nourishment Districts				
Salter Path	-	-	-	0.1500
Indian Beach Non Ocean Front	0.0100	0.0100	0.0100	0.0100
Indian Beach Ocean Front	0.0100	0.0100	0.0100	0.0350
Emerald Isle Non Ocean Front	0.0110	0.0110	0.0110	0.0150
Emerald Isle Ocean Front	0.1620	0.1620	0.1620	0.0450
Pine Knoll Shores Ocean Front	0.0160	0.0160	0.0160	0.0140
Pine Knoll Shores Non Ocean Front	0.1050	0.1050	0.1050	0.0520
Water Districts				
County Water District ¹	-	-	-	0.0550

Source: Carteret County Tax Department

Notes:

¹First Year Tax District 2012

2013	2014	2015	2016	2017	2018
0.0500	0.0500	0.0500	0.0550	0.0550	0.0700
0.0300	0.0300	0.0300	0.0300	0.0400	0.0400
0.0450	0.0450	0.0450	0.0450	0.0450	0.0600
0.0300	0.0200	0.0200	0.0200	0.0200	0.0200
0.0300	0.0300	0.0300	0.0400	0.0550	0.0650
0.0600	0.0600	0.1000	0.1000	0.1000	0.1000
0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
0.0500	0.0500	0.0500	0.0550	0.0550	0.0550
0.0325	0.0325	0.0300	0.0200	0.0200	0.0200
0.0850	0.0850	0.0650	0.0400	0.0400	0.0400
0.0150	0.0150	0.0000	0.0000	0.0000	0.0000
0.0450	0.0450	0.0300	0.0400	0.0400	0.0400
0.0140	0.0140	0.0140	0.0160	0.0160	0.0160
0.0520	0.0520	0.0520	0.0600	0.0600	0.0600
0.0550	0.0550	0.0550	0.0550	0.0550	0.0550



**Ten Largest Taxpayers
Current Year and Ten Years Ago**

Name of Taxpayer	Type of Enterprise	Fiscal Year 2018				Fiscal Year 2009		
		Assessed Valuation	Rank	Percent of Total		Assessed Valuation	Rank	Percent of Total Assessed Valuation
				Assessed Valuation	Percent of Total			
Carteret Craven Electric	Utility	\$ 121,277,767	1	0.814%	\$ 48,319,221	3	0.254%	
Progress Energy	Utility	100,964,865	2	0.678%	40,474,961	4	0.213%	
Open Grounds Farm, Inc.	Farm	90,854,189	3	0.610%	52,160,743	2	0.274%	
Goose Creek Landing HOA	Real Estate	30,236,690	4	0.203%	33,632,383	5	0.177%	
ITAC 192 LLC	Real Estate	25,338,352	5	0.170%	-	-	-	
Time Warner Entertainment	Communications	22,952,167	6	0.154%	-	-	-	
Atlantic Newport Hospitality	Real Estate	20,400,000	7	0.137%	-	-	-	
USPG Portfolia One LLC	Real Estate	20,274,257	8	0.136%	-	-	-	
Stevens Towing Company	Barge Transport	20,193,619	9	0.136%	-	-	-	
Weyerhaeuser Company	Real Estate	19,438,240	10	0.131%	-	-	-	
Bogue Watch LLC	Real Estate	-	-	-	88,448,474	1	0.465%	
Carolina Telephone	Utility	-	-	-	33,041,461	6	0.174%	
GR&S Atlantic Beach Ltd	Hotel	-	-	-	28,568,352	7	0.150%	
Atlantic Veneer Corp	Manufacturing	-	-	-	24,479,009	8	0.129%	
Pazon M Holz	Real Estate	-	-	-	23,874,483	9	0.120%	
Block 39 LLC	Real Estate	-	-	-	23,500,000	10	0.123%	
		\$ 471,930,146		3.169%	\$ 396,499,087		2.079%	

Source: Carteret County Tax Department

Carteret County, North Carolina

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Collected Within the Fiscal Year of the Levy		
			Total Tax Levy (1)(2)	Amount	Percentage of Levy
2009	\$ 43,880,900	\$ (110,577)	\$ 43,770,323	\$ 42,486,645	97.07%
2010	44,158,178	(112,687)	44,045,491	42,758,524	97.08%
2011	44,397,414	(9,385)	44,388,029	43,043,486	96.97%
2012	45,203,707	(112,283)	45,091,424	43,758,543	97.04%
2013	44,109,338	(69,935)	44,039,403	42,824,327	97.24%
2014	44,863,630	(57,510)	44,806,120	43,722,134	97.58%
2015	46,118,930	(41,331)	46,077,599	45,099,962	97.88%
2016	43,572,880	(69,503)	43,503,377	42,642,837	98.02%
2017	45,841,885	(222,651)	45,619,234	44,595,689	97.76%
2018	46,325,347	(157,226)	46,168,121	45,175,396	97.85%

Notes:

(1) Includes General Fund

(2) Does not include reimbursement in-lieu-of taxes and Senior Citizens Exemptions

Schedule 9

Total Collections to Date			
Collections of Subsequent Years	Amount	Percentage of Levy	
\$ 1,147,638	\$ 43,634,283	99.69%	
1,206,244	43,964,768	99.82%	
1,248,746	44,292,232	99.78%	
1,199,001	44,957,544	99.70%	
1,027,295	43,851,622	99.57%	
869,537	44,591,671	99.52%	
722,067	45,822,029	99.45%	
530,218	43,173,055	99.24%	
470,280	45,065,969	98.79%	
-	45,175,396	97.85%	

Carteret County, North Carolina

**Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Net Premiums Discounts and Adjustments	Certificates of Participation	Installment Loans
2009	\$ 55,920,000	\$ (197,572)	\$ 7,045,000	\$ 16,453,210
2010	52,330,000	(137,327)	5,735,000	15,135,783
2011	48,745,000	(77,132)	5,155,000	18,489,570
2012	45,100,000	35,220	4,660,000	16,099,052
2013	40,605,000	3,464,917	4,040,000	14,339,872
2014	36,545,000	3,100,791	3,560,000	13,365,073
2015	33,475,000	2,680,697	3,090,000	11,709,696
2016	33,820,000	2,768,620	2,630,000	10,031,656
2017	29,410,000	2,417,445	2,175,000	8,382,789
2018	25,725,000	2,131,480	1,730,000	6,850,875

* Information not yet available

Notes:

Details regarding the County's outstanding debt can be found in the notes to financial statements.

(1) See Schedule 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Personal income not available to calculate fiscal years 2017 and 2018.

Business Activity							
Installment Loans	Bond Anticipation Notes	Revenue Bonds	Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)		
\$ 2,814,448	\$ -	\$ -	\$ 82,035,086	\$ 1,294	3.31%		
2,643,416	-	-	75,706,872	1,183	2.93%		
2,472,384	1,046,000	-	75,830,822	1,184	2.87%		
2,301,352	1,046,000	-	69,241,624	1,064	2.45%		
2,130,320	-	1,046,000	65,626,109	1,064	2.27%		
1,959,288	-	1,046,000	59,576,152	862	1.97%		
1,788,256	-	1,030,000	53,773,649	778	1.77%		
1,617,224	-	1,014,000	51,881,500	744	1.64%		
1,446,192	-	997,000	44,828,426	637	*		
1,275,160	-	980,000	38,692,515	548	*		



**Ratios of Net General Bonded Debt Outstanding,
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Net General Obligation Bonded Debt	Assessed Value	Percentage of Actual Taxable Value of Property	Percentage of Personal Income	Population (1)	Net General Obligation Bonded Debt Per Capita
2009	\$ 55,722,428	\$ 19,028,825,652	0.29%	2.25%	63,535	\$ 877.04
2010	52,192,673	19,154,428,262	0.27%	2.02%	64,107	814.15
2011	48,667,868	19,287,665,218	0.25%	1.84%	65,050	748.16
2012	45,135,220	15,072,107,348	0.30%	1.60%	67,696	666.73
2013	44,069,917	15,178,413,206	0.29%	1.53%	68,645	642.00
2014	39,645,791	15,451,156,552	0.26%	1.31%	69,092	573.81
2015	36,155,697	15,365,675,000	0.24%	1.19%	70,079	515.93
2016	36,588,620	14,498,901,666	0.25%	1.15%	69,706	524.90
2017	31,827,445	14,720,400,000	0.22%	*	70,401	452.09
2018	27,856,480	14,892,942,258	0.19%	*	70,620	394.46

Notes:

Details regarding the County's outstanding debt can be found in the notes to financial statements.

(1) NC Office of State Planning

*Personal income not available to calculate fiscal years 2017 and 2018

Carteret County, North Carolina

**Computation of Legal Debt Margin
Last Ten Fiscal Years**

	Fiscal Year			
	2009	2010	2011	2012
Assessed values of property	\$ 19,028,825,652	\$ 19,154,428,262	\$ 19,287,665,218	\$ 15,072,107,348
Debt limit 8% of assessed value	1,522,306,052	1,532,354,261	1,543,013,217	1,205,768,588
Gross debt:				
Total bonded debt	62,965,000	58,065,000	53,900,000	49,760,000
Installment debt	16,453,210	15,135,783	18,489,570	16,099,052
Net bond premiums and adjustments	(197,572)	(137,327)	(77,132)	35,220
Authorized unissued bonded debt	9,710,000	9,710,000	9,710,000	9,710,000
Total amount of debt applicable to debt limit	88,930,638	82,773,456	82,022,438	75,604,272
Legal debt margin	\$ 1,433,375,414	\$ 1,449,580,805	\$ 1,460,990,779	\$ 1,130,164,316
Total net debt applicable to the limit as a percentage of debt limit	5.84%	5.40%	5.32%	6.27%

Schedule 12

2013	2014	2015	2016	2017	2018
\$ 15,178,413,206	\$ 15,451,156,552	\$ 15,365,675,000	\$ 14,498,901,666	\$ 14,720,400,000	\$ 14,892,942,258
1,214,273,056	1,236,092,524	1,229,254,000	1,159,912,133	1,177,632,000	1,191,435,381
44,645,000	40,105,000	36,565,000	36,450,000	31,585,000	27,455,000
14,339,872	13,365,073	11,709,696	10,031,656	8,382,789	6,850,875
3,464,917	3,100,791	2,680,697	2,768,620	2,417,445	2,131,480
9,710,000	9,710,000	9,710,000	-	-	-
72,159,789	66,280,864	60,665,393	49,250,276	42,385,234	36,437,355
\$ 1,142,113,267	\$ 1,169,811,660	\$ 1,168,588,607	\$ 1,110,661,857	\$ 1,135,246,766	\$ 1,154,998,026
5.94%	5.36%	4.94%	4.25%	3.60%	3.06%

**Computation of Direct and Overlapping Debt
Governmental Activities Debt
June 30, 2018**

	Outstanding Debt	Percent Applicable to County	Amount Applicable to County
Direct			
Carteret County (1)	\$ 36,437,355	100.00%	\$ 36,437,355
Overlapping			
Town of Newport (2)	1,957,685	100.00%	1,957,685
Town of Pine Knoll Shores (2)	2,876,000	100.00%	2,876,000
Subtotal overlapping debt	<u>4,833,685</u>		<u>4,833,685</u>
Total direct and overlapping debt	<u>\$ 41,271,040</u>		<u>\$ 41,271,040</u>

Data Sources:

- (1) County's debt records
- (2) Municipal finance departments

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)	Public School Enrollment (4)
2009	63,535	\$ 2,477,362	\$ 38,455	7.42%	8,294
2010	64,107	2,583,758	40,304	8.39%	8,273
2011	65,050	2,639,299	39,174	8.35%	8,491
2012	67,696	2,824,360	41,761	9.30%	8,336
2013	68,645	2,888,870	42,214	8.48%	8,307
2014	69,092	3,021,043	43,903	6.50%	8,254
2015	70,079	3,044,352	43,442	5.76%	8,445
2016	69,706	3,172,812	45,517	5.67%	8,141
2017	70,401	*	*	4.83%	8,072
2018	70,620	*	*	4.35%	8,006

Data Sources:

(1) North Carolina Office of State Planning

(2) Bureau of Economic Analysis, U.S. Department of Commerce. Figures are for the prior calendar year.

(3) North Carolina Department of Commerce Division of Employment Security

(4) Carteret County Board of Education

* Information Unavailable

**Principal Employers
Current Year and Ten Years Ago**

Employer	2018			2009		
	Employment Range	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Carteret County Public Schools	1000+	1	-	1,197	1	3.57%
Carteret General Hospital	1000+	2	-	1,025	2	3.06%
Carteret County	500-999	3	-	473	4	1.41%
Wal-Mart Associates Inc	250-499	4	-	485	3	1.45%
Lowes Home Improvements	250-499	5	-	292	6	0.87%
Carteret Community College	250-499	6	-	-	-	-
Big Rock Sports LLC	250-499	7	-	-	-	-
Food Lion	250-499	8	-	239	8	1.00%
Bally Refrigerated Boxes	100-249	9	-	-	-	-
Town of Morehead City	100-249	10	-	-	-	-
NC Department of Transportation	-	-	-	462	5	1.38%
US Coast Guard	-	-	-	273	7	0.81%
NC Natural Resources and Community Development	-	-	-	229	9	0.68%
Lowes Foods	-	-	-	205	10	0.61%

Source: NC Commerce LEAD Division
2018 Employees are full time



Carteret County, North Carolina

**Full-time Equivalent County Government Employees by Function,
Last Ten Fiscal Years**

Function/Program	Full-Time Equivalent			
	2009	2010	2011	2012
General government	66.10	66.40	66.60	62.85
Public safety	119.00	114.30	141.00	130.00
Transportation	2.00	2.00	2.00	2.00
Economic and physical development	18.50	17.00	17.00	17.00
Environmental protection	6.00	7.00	7.00	7.00
Human Services	171.80	169.58	169.91	169.33
Cultural and recreation	22.00	20.92	21.49	20.07
Water/Sewer (Business activity)	4.40	4.40	4.40	4.15
Total	409.80	401.60	429.40	412.40

Source: County Finance Department

Notes:

This schedule represents number of persons employed as of June 30 of each year.

Full-time personnel work 2,080 hours per year (less vacation and sick leave).

For purposes of this schedule the number of part-time employees has been divided by 2.5 to arrive at the full-time equivalents.

Schedule 16

2013	2014	2015	2016	2017	2018
57.85	59.80	60.80	61.80	62.20	64.70
135.00	137.00	138.00	141.00	144.00	149.00
3.00	3.00	4.00	4.00	4.00	5.00
14.00	13.87	13.87	14.00	16.50	14.00
7.00	6.50	6.50	6.50	6.50	6.50
169.33	168.33	170.98	177.00	184.18	185.18
19.07	20.07	20.42	22.42	22.42	22.42
4.15	4.83	4.83	4.70	4.80	4.80
409.40	413.40	419.40	431.42	444.60	451.60

Carteret County, North Carolina

**Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year		
	2009	2010	2011
Sheriff:			
Physical arrests	2,410	2,363	2,270
Environmental Protection:			
Solid waste convenience sites:			
Refuse collected (tons / day)	42.90	44.00	41.48
Recycled Material (tons / day)	4.30	5.00	2.34
Yard Waste (tons / day)	3.82	4.00	3.12
Culture and recreation:			
Park reservations	5,838	5,599	5,404
Senior center and community center admissions	84,315	104,501	93,504
Public libraries:			
Admissions	255,486	271,856	289,197
Electronic resources users	181,896	201,525	237,737
Water:			
New connections	54	60	32
Water mains breaks	-	-	3
Average daily consumption (gallons / day)	94	97	130

Sources: Various government departments.

Notes:

No indicators are available for the general government, economic development, and human services functions.

Schedule 17

2012	2013	2014	2015	2016	2017	2018
2,288	2,091	2,018	1,659	1,773	1,815	1,086
45.46	43.74	46.25	45.23	38.36	42.17	51.65
4.24	4.26	5.15	3.90	2.38	4.19	4.62
2.61	3.50	11.00	4.80	3.24	9.28	9.59
5,792	6,099	6,462	7,888	7,192	7,508	8,220
98,616	124,177	110,435	103,007	117,355	128,229	112,893
293,613	286,588	269,839	269,184	261,578	259,850	261,347
365,516	400,407	292,250	332,243	286,530	227,773	206,564
30	35	25	18	15	14	13
3	2	2	-	-	1	1
150	125	127	117	118	119	121

Carteret County, North Carolina

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year			
	2009	2010	2011	2012
Public safety:				
Sheriff				
Stations	1	1	1	1
Patrol Units	24	24	24	24
Environmental protection:				
Solid waste convenience sites	12	12	12	12
Culture and recreation:				
Park acreage	159	159	159	163
Parks	7	7	7	9
Tennis courts	5	5	5	14
Community centers	2	2	2	3
Public libraries	4	4	4	5
Water:				
Water mains (miles)	48	48	51	51
Maximum daily capacity	600,000	600,000	600,000	600,000

Sources: Various county departments.

Schedule 18

2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
24	24	24	24	24	24
12	12	12	12	12	12
163	163	163	163	163	163
9	9	9	9	9	9
14	14	14	14	14	14
3	3	3	3	3	3
5	5	5	5	5	5
51	51	51	51	51	51
600,000	600,000	600,000	600,000	600,000	600,000

Compliance Section



Compliance Section

The Compliance Section contains various schedules and Auditor opinions reflecting Federal, State and Local matching participation in various projects and programs of the County. The Single Audit Amendments Act of 1996 established audit requirements for State and Local governments that receive Federal assistance. The audit requirements were established to insure that audits are conducted on an organization wide basis, rather than on a grant-by-grant basis.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

To the Board of County Commissioners
Carteret County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carteret County, North Carolina, (the County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 29, 2019. Our report includes a reference to other auditors who audited the financial statements of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, as described in our report on the County's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Carteret County General Hospital Corporation and Carteret County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina
January 29, 2019



**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance and the State Single Audit
Implementation Act**

Independent Auditor's Report

RSM US LLP

To the Board of County Commissioners
Carteret County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Carteret County, North Carolina's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, all discretely presented component units of the County. Our audit of compliance, described below, did not include the operations of the Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and the ABC Board because the financial statements of the Carteret County General Hospital Corporation and the ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, the Uniform Guidance or the State Single Audit Implementation Act and Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority engaged other auditors to perform an audit of compliance.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina
January 29, 2019



**Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance
in Accordance with the Uniform Guidance and
State Single Audit Implementation Act**

RSM US LLP

Independent Auditor's Report

To the Board of County Commissioners
Carteret County, North Carolina

Report on Compliance for Each Major State Program

We have audited Carteret County, North Carolina's (the County) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2018. The County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and Carteret County Alcoholic Beverage Control (ABC) Board, all discretely presented component units of the County. Our audit of compliance, described below, did not include the operations of the Carteret County Tourism Development Authority, Beaufort-Morehead City Airport Authority, Carteret County General Hospital Corporation and the ABC Board because the financial statements of the Carteret County General Hospital Corporation and the ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, applicable sections of the Uniform Guidance or the State Single Audit Implementation Act and Beaufort-Morehead City Airport Authority and Carteret County Tourism Development Authority engaged other auditors to perform an audit of compliance.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Morehead City, North Carolina
January 29, 2019

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X</u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X</u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X</u> No
	<u> </u>	<u> </u>

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X</u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X</u> None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of major federal program:

<u>Program Name</u>	<u>CFDA</u>
1571 Administrative Costs - Crosscutting Requirements:	
Supplemental Nutrition Assistance Program	10.561
Medical Assistance	93.778
Temporary Assistance for Needy Families	93.558
Children's Health Insurance Program	93.767
IV-D Child Support	93.563

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

(Continued)

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018**

I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

Material weakness(es) identified?	_____ Yes	_____ X No
Significant deficiency(ies) identified?	_____ Yes	_____ X None Reported

Type of auditor's report issued on compliance for major State programs	Unmodified
--	------------

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	_____ Yes	_____ X No
---	-----------	------------

Identification of major State programs:

<u>Program Name</u>	<u>Grant Number</u>
Public School Building Capital Fund	N/A
1571 Administrative Costs - Crosscutting Requirements	N/A
School Nurse Funding Initiative	N/A
Water Resource Development Project Grant Program	N/A

Carteret County, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018**

II - Financial Statement Findings

None reported.

III - Findings and Questioned Costs for Federal Awards

None reported.

IV - Findings and Questioned Costs for State Awards

None reported.

CARTERET COUNTY DEPARTMENT OF HUMAN SERVICES

Cindy P. Holman
Consolidated Human Services Director
cindy.holman@carteretcountync.gov



Clinton W. Lewis
DSS Director
Consolidated Human Services Deputy Director
clint.lewis@carteretcountync.gov
Stephanie M. Cannon, MPA
Health Director
Consolidated Human Services Deputy Director
stephanie.cannon@carteretcountync.gov

Carteret County, North Carolina

Summary Schedule of Prior Audit Findings Year Ended June 30, 2018

Finding: 2017-001

Status: Training was provided to staff on August 14, 2017 (after the State audit) and required NCFAST Learning Gateway training. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party to 25, as well as, planning monthly training sessions.

Finding: 2017-002

Status: Training was provided to staff on August 14, 2017 (after the State audit) and required NCFAST Learning Gateway training. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party to 25, as well as, planning monthly training sessions.

Finding: 2017-003

Status: Caseworkers have been instructed to correct the issues with all reviews and apply policy to all applications taken. Training was provided to staff on August 14, 2017. Personal property checks and vehicle verifications have been run and agency records updated. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party to 25, as well as, planning monthly training sessions.

Finding: 2017-004

Status: Staff was trained on August 14, 2017 after State audit regarding property checks and documenting negative/positive results. Case specific caseworkers were notified of cases without the property searches. The negative results from property searches were documented in the agency record. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party to 25, as well as, planning monthly training sessions.

Finding: 2017-005

Status: Staff training was conducted August 14, 2017 regarding budgeting training and hard copies of budgets being placed in the file. Caseworkers were instructed to provide documentation indicating income used and for what period of time. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

(Continued)

Carteret County, North Carolina

Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2018

Finding: 2017-006

Status: Following the state audit, all negative audit findings were discussed with staff during unit meeting on August 14, 2017. The specific case was corrected, residency verification provided, and the case was reviewed with the caseworker. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

Finding: 2017-007

Status: Cases have been researched since the audit and updated regarding Medicare eligibility as verified via OVS/OLV. Following the state audit, all negative audit findings were discussed with staff during unit meeting on August 14, 2017. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

Finding: 2017-008

Status: Identified cases have been corrected and caseworker transferred case to the appropriate program after notice was sent. On August 14, 2017, following the state audit, all negative audit findings were discussed with staff during unit meeting. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

Finding: 2017-009

Status: Identified cases have been corrected and caseworkers have been instructed by the supervisor to make sure that all timely terminations are entered into the NCFAST system timely and certification period updated to correspond with termination date of case in NCFAST. On August 14, 2017, following the state audit, all negative audit findings were discussed with staff during unit meeting. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

Finding: 2017-010

Status: Identified case has been corrected and caseworkers have been instructed by the supervisor to make sure that all information in case records match information entered into NCFAST. On August 14, 2017, following the state audit, all negative audit findings were discussed with staff during unit meeting. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

(Continued)

Carteret County, North Carolina

Summary Schedule of Prior Audit Findings (Continued)

Year Ended June 30, 2018

Finding: 2017-011

Status: On August 14, 2017, following the state audit, all negative audit findings were discussed with staff during unit meeting. Supervisor provided SSA appeal policy information to caseworkers and instructed caseworkers to flag identified cases for appeal request verification. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

Finding: 2017-012

Status: On August 14, 2017, following the state audit, all negative audit findings were discussed with staff during unit meeting. Caseworkers were instructed to document reason for use of approved "Forced Eligibility". State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

Finding: 2017-013

Status: Identified cases have been corrected and caseworkers have been instructed by the supervisor to ensure that all information in case records match information entered into NCFast and that all improperly transferred cases be brought to the attention of the supervisor prior to accepting and manually transferring cases to Carteret County. On August 14, 2017, following the state audit, all negative audit findings were discussed with staff during unit meeting. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

Finding: 2017-014

Status: On August 14, 2017, following the state audit, all negative audit findings were discussed with staff during unit meeting. Supervisor provided SSA appeal policy information to caseworkers and instructed caseworkers to flag identified cases for appeal request verification. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

Finding: 2017-015

Status: Identified cases have been corrected and caseworkers have been instructed by the supervisor to ensure that all information in case records match information entered into NCFast. On August 14, 2017, following the state audit, all negative audit findings were discussed with staff during unit meeting. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

Finding: 2017-016

Status: Economic Service Line Staff have been instructed and advised of the importance of accurate day sheet entries. Day sheets are checked by Economic Supervisors for accuracy at the time of 2nd party reviews. State monthly requirement for 2nd party cases is 20, we have increased our monthly 2nd party reviews to 25, as well as, planning monthly training sessions.

**Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Federal Assistance					
US Department of Agriculture:					
Food and Nutrition Service					
Passed through NC Department of Agriculture:					
Administered by County Finance Department					
Soil and water conservation	10.550		\$ 22,489	\$ -	
			<u>22,489</u>	<u>-</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Division of Women and Children:					
Administered by County Health Department:					
Special Supplemental Nutrition Program for Women,					
Infants and Children	10.557		251,118	-	3,201
Benefit Payments - noncash	10.557		-	-	-
			<u>273,607</u>	<u>-</u>	<u>3,201</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State Administrative Matching Grants for the Food Stamp					
Food and Nutrition Services Cluster:					
Food Stamp Admin	10.561		483,248	-	483,248
Food Stamp Fraud Admin	10.561		20,118	-	20,118
Total Food and Nutrition Services Cluster:			<u>503,366</u>	<u>-</u>	<u>503,366</u>
Total US Department of Agriculture			<u>776,973</u>	<u>-</u>	<u>506,567</u>
US Department of Commerce:					
Passed through NC Department of Environment & Natural Resources					
Division of Water Quality					
Coastal Zone Management Awards-Minor Permit/County Aid	11.419		5,265	-	-
US Department of Defense:					
Office of Economic Adjustment					
Administered by County Planning & Inspections Department:					
Community Economic Adjustment Planning for Compatible					
Use & Joint Land Use Studies	12.610		83,403	-	-
US Department of Interior:					
Direct Program:					
Administered by County Finance Department:					
National Forest, Public Schools	15.225		32,605	-	-
US Department of Transportation:					
Passed through NC Department of Transportation:					
Administered by County CCATS Department:					
Rural Operating Assistance Including Elderly and Disabled:					
Administration Grant	20.509		174,380	10,899	32,696
Capital Grant	20.509		250,241	24,715	30,552
Elderly Individuals and Individual with Disabilities	20.513		125,000	-	125,000
Total US Department of Transportation			<u>549,621</u>	<u>35,614</u>	<u>188,248</u>

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2018

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Justice					
Bureau of Justice Assistance					
Passed through NC Department of Public Safety					
Administered by Carteret County Sheriff Department					
Overtime Grant	16.738	2014-DJ-BX-1148	-	-	-
Operation Zero Script	16.738	2015-DJ-BX-1076	-	-	-
Operation Pills Can Kill	16.738	2014-DJ-BX-1148	3,754	-	1,252
			<u>3,754</u>	<u>-</u>	<u>1,252</u>
Administered by County Rape Crisis Department					
Basic SA Services	16.575		35,178	-	3,238
Bi-Lingual Victim Advocate/ Interpreter	16.575		43,215	-	4,719
			<u>78,392</u>	<u>-</u>	<u>7,957</u>
Total US Department of Justice			<u>82,146</u>	<u>-</u>	<u>9,209</u>
US Department of Health and Human Services:					
Administration on Aging					
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina					
Council - Aging Cluster:					
HCCBG In-Home Support Services Title III	93.044		40,953	2,409	4,818
HCCBG Preventive Health	93.043		15,139	891	1,781
HCCBG Congregate Nutrition Title III C1	93.045		71,919	4,231	8,461
HCCBG Home Delivered Meals Title III C2	93.045		19,358	1,139	2,277
NSIP-Nutrition	93.053		13,427	-	-
Total Aging Cluster			<u>160,796</u>	<u>8,670</u>	<u>17,337</u>
Passed through NC Department of Health and Human Services:					
NC Division of Aging and Adult Services, Eastern Carolina Council:					
HCCBG In-Home Support Services SSBG	93.667		36,626	1,046	4,186
Administration for Children and Families					
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by Carteret County Department of Social Services:					
Temporary Assistance for Needy Families (TANF):					
Work First Administration	93.558		132,510	-	116,727
Work First Service-Administration	93.558		620,778	-	492,789
Total TANF			<u>753,288</u>	<u>-</u>	<u>609,516</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2018**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
IV-D Administration	93.563		\$ 413,298	\$ -	\$ 212,911
IV-D Offset Fees ESC	93.563		21	(2)	13
IV-D Offset Fees Federal	93.563		1,934	-	996
			<u>415,253</u>	<u>(2)</u>	<u>213,920</u>
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Low Income Home Energy Assistance:					
Benefit payments	93.568		203,500	-	-
Administration	93.568		34,102	-	-
Crisis Intervention payments	93.568		102,954	-	6,716
			<u>340,556</u>	<u>-</u>	<u>6,716</u>
Passed through NC Department of Health and Human Services:					
Administered by Carteret County Department of Social Services:					
Division of Child Development					
Subsidized Child Care Cluster					
Child Care Development Fund Cluster					
Division of Social Services					
Child Care Development Fund-Administration	93.596		101,461	-	-
Division of Child Development					
Child Care & Development Fund-Discretionary	93.575		99,010	-	-
Child Care & Development Fund-Mandatory	93.596		13,121	-	-
Child Care & Development Fund-Match	93.596		3	-	-
Total Child Care Fund Cluster			<u>213,595</u>	<u>-</u>	<u>-</u>
Temporary Assistance for Needy Families	93.558		10,646	-	-
State Appropriations			-	12,982	-
TANF- MOE			-	25	-
Total Subsidized Child Care Cluster			<u>224,241</u>	<u>13,007</u>	<u>-</u>
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
Child Welfare Services:					
Permanency Planning:					
Special	93.645		19,316	-	6,438
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
IV E CPS	93.658		62,861	32,677	30,184
IV-E Optional Adopt TRN 50%	93.659		3,939	-	3,939
IV-E Family Foster Care MAX	93.658		2,350	-	1,128
Foster Care payments	93.658		135,349	35,438	29,792
IV-E Foster Care /OFF TRN	93.658		176,951	-	176,950
IV-E Foster Care TRN	93.658		7,129	-	2,376
IV-E Foster Care in Excess	93.658		19,347	9,352	-
IV-E Admin County Paid to CCI	93.658		29,683	14,841	14,841
IV-E Adoption Training	93.659		402	-	595
IV-E Adoption / Off Trn	93.659		24,001	-	24,001
Foster Care	N/A		21,401	-	16,031
Total Foster Care and Adoption Cluster			<u>916,632</u>	<u>92,308</u>	<u>299,837</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2018**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Social Services Block Grant:					
Family Planning:					
In-home services	93.667		\$ 7,910	\$ -	\$ 1,130
In-home Services over 60	93.667		656	-	94
In-home Services - SSBG other services	93.667		230,040	-	76,680
CPS TANF to SSBG	93.667		44,382	-	-
			<u>282,988</u>	<u>-</u>	<u>77,904</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living Transitional	93.674		50	-	-
Links	93.674		16,559	4,140	-
			<u>16,609</u>	<u>4,140</u>	<u>-</u>
Health Care Financing Administration					
Passed through NC Department of Health and Human Services:					
Division of Medical Assistance:					
Administered by Carteret County DSS:					
Medical Assistance Program					
MA Expansion (MAC)	93.778		153,759	-	153,758
ADT CR HM CS Mgt/Spec	93.778		14,175	3,052	11,122
Transportation Service	93.778		(2,767)	(916)	-
Division of Social Services					
Administered by Carteret County DSS:					
Medical Assistance Administration	93.778		1,403,528	-	468,673
Transportation Administration	93.778		147,398	-	147,398
			<u>1,716,093</u>	<u>2,136</u>	<u>780,951</u>
Division of Social Services					
Administered by Carteret County DSS:					
State Children's Insurance Program - NC Health Choice	93.767		35,238	10	-
			<u>35,238</u>	<u>10</u>	<u>-</u>
Centers for Disease Control and Prevention					
Passed through NC Department of Health and Human Services:					
Centers for Medicare and Medicaid Services					
Division of Medical Assistance					
Medical Assistance Program - FY14 & 17 Cost Settlement	93.778		495,474	-	-
			<u>495,474</u>	<u>-</u>	<u>-</u>
Administered by Carteret County Health Department					
Preparedness (PHEP) Aligned Cooperative Agreements & PHEP Ebola	93.074		29,246	-	21,246
North Carolina's Tuberculosis Elimination and Laboratory Project	93.116		50	-	44,214
Preventive Health & Human Services Block Grant funded solely with Prevention & Public Health Funds (PPHF)	93.758		46,090	-	87,755
Prescription Drug Overdose (PDO) Prevention	93.136		5,000	-	3,155
Zika Virus Mosquito Control	93.323		14,824	-	88,240
Cancer Prevention and Control	93.752		510	-	-
			<u>95,720</u>	<u>-</u>	<u>244,610</u>
Health Resources and Services Administration					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Administered by Carteret County Health Department					
State Based Comprehensive B & CC Early Detection Programs	93.898		9,945	-	18,734
Maternal & Child Health Services Block Grant	93.994		33,505	25,275	523,742
			<u>43,450</u>	<u>25,275</u>	<u>542,476</u>

(Continued)

**Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2018**

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Office of Population Affairs Passed through NC Department of Health and Human Services: Office of Population Affairs Family Planning Service	93.217		\$ 99,003	\$ -	\$ 253,987
Administration for Community Living Passed through NC Department of Insurance Administered by Carteret County Aging Medicare Improvements for Patients and Providers Act "MIPPA"	93.071	14AANCMSHI	2,267		
Seniors' Health Insurance Information Program	93.324		4,634	-	-
			<u>6,901</u>	<u>-</u>	<u>-</u>
Total US Department of Health and Human Services			<u>7,155,741</u>	<u>146,590</u>	<u>2,194,375</u>
US Department of Housing & Urban Development					
Passed through NC Department of Commerce Division of Community Assistance Administered by Carteret County Planning & Inspections Department 2012 CDBG SSH Program	14.228		490	-	-
Total US Department of Housing & Urban Development			<u>490</u>	<u>-</u>	<u>-</u>
US Department of Homeland Security					
Passed through NC Department of Public Safety Division of Emergency Management Administered by Carteret County Emergency Management Department Emergency Management Performance Grant Program "EMPG"	97.042	EMA-2016-EP-00002-S01	37,752		
Administered by Carteret County Planning & Inspections Department 2014 Flood Mitigation Assistance - Elevation Project	97.029	FMA-PJ-04-NC-2014-007	22,151		
Total US Department of Homeland Security			<u>59,903</u>	<u>-</u>	<u>-</u>
State Assistance					
NC Department of Health and Human Services:					
Division of Social Services: Administered by County Department of Social Services: Energy Assistance, Private Grants			-	7,812	-
County Funded Programs			-	-	1,789,800
Non-Allocating County Cost			-	-	217,470
St Child Welfare/ CPS/ CS LD			-	41,210	-
SAA/SAD HB 1030			-	19,431	19,669
Extended FC/MAC Non IV-E			-	2,127	-
Work First Non Reimbursable			-	-	78,729
SC/SA Certain Disabled PY			-	131	131
SFHF Maximization			-	56,818	56,818
State Foster Home			-	80,546	80,545
			<u>-</u>	<u>208,075</u>	<u>2,243,162</u>

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2018

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
Division of Aging and Adult Services:					
Passed through Eastern Carolina Council of Government					
Administered by the County Department of Social Services					
In-house Services 90% State Funds:					
Senior Center :					
HCCBG - Access			\$ -	\$ 16,214	\$ 1,802
HCCBG - In Home Support			-	214,034	23,782
HCCBG - Home Delivered Meals			-	16,631	1,848
			-	246,879	27,432
Division of Public Health					
Administered by the County Health Department					
Other Receipts/ State Supported Expenditures					
Food and Lodging Fees			-	7,843	-
General Aid to County			-	80,166	114,341
Communicable Disease			-	1,756	53,053
Risk Reduction/ Health Promotion			-	3,810	-
Breast and Cervical Cancer Program			-	14,790	-
Child Health			-	10,822	-
Maternal Health (HMHC)			-	7,757	-
Women's Health Service Fund			-	17,173	-
HIV/STD State			-	400	-
HIV/STD SSBG Aid			-	100	-
HIV/ STD Prevention and Care			-	70	-
Tuberculosis			-	10,964	-
TB Medical Service			-	1,529	-
Zika Virus Mosquito Control			-	16,000	-
School Nurse Funding Initiative			-	50,000	-
			-	223,180	167,394
 Total NC Department of Health and Human Services			-	678,134	2,847,237
NC Department of Environmental Quality					
Natural Resources Division:					
Passed through County Finance Office:					
White Goods Disposal			-	44,737	-
Scrap Tire Disposal			-	93,337	-
			-	138,074	-
Environmental Assistance and Customer Service Division:					
Administered by County Public Works Department:					
Downeast Electronics Recycling Program		7224	-	3,024	336
Division of Water Resources:					
Administered by County Shore Protection Office:					
Water Resource Development Project Grant:					
Waterway and Dredging Projects			-	199,746	99,858
Bogue Banks Coastal Storm Damage Reduction Project			-	150,000	150,000
			-	349,746	249,858
 Total NC Department of Environmental Quality			-	490,844	250,194

(Continued)

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2018

	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures		
			Federal	State	Local
NC Department of Public Safety:					
Division of Emergency Management					
Administered by County Finance Department:					
Services for Court Referrals					
Boys and Girls Club program			\$ -	\$ 53,116	\$ -
Easter Seals Home Based Services - Building Bridges			-	47,236	50,038
Juvenile Crime Prevention			-	5,540	225
Teen Court			-	44,576	-
			-	150,468	50,263
Total NC Department of Public Safety			-	150,468	50,263
NC Department of Military and Veteran Affairs					
Office of Fiscal Management					
Administered by the County Veterans Services					
Veteran Services			-	2,175	358,288
Total NC Department Military and Veteran Affairs				2,175	358,288
NC Department of Administration:					
Division of NC-CFW					
Administered by the County Rape Crisis Department					
Sexual Assault Grant Rape Crisis			-	50,579	10,116
Total NC Department of Administration			-	50,579	10,116
NC Department of Public Instruction:					
Public School Building Capital Fund					
Administered by the County Finance Department					
Lottery Proceeds Allocation			-	600,000	-
NC Department of Transportation					
Administered by the Carteret County Transportation Department					
FY18 Con CPT Coordination Operating Grant		18-CO-054	-	55,768	55,768
DOT ROAP RGP Grant		DOT-17CL	-	96,762	9,676
DOT ROAP Employment Grant		DOT-17CL	-	17,846	-
DOT Elderly and Disabled		DOT-17CL		80,393	-
Total NC Department of Transportation			-	250,769	65,444
Total Federal Expenditures			\$ 7,248,590		
Total State Expenditures				\$ 2,405,173	
Total Local Expenditures					\$ 6,934,195

See Notes to Schedule of Expenditures of Federal and State Awards.

Carteret County, North Carolina

Notes to Schedule of Expenditures of Federal and State Awards Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (the "Schedule") includes the federal and State award activity of Carteret County, North Carolina, primary government, under programs of the federal and State government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Carteret County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carteret County.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Carteret County's indirect costs are determined by a State-approved plan contracted annually with DMG Maximus, Inc. and therefore has elected not to use the 10-Percent de minimis indirect cost rate as allowed under the Uniform Guidance.

In accordance with guidance issued by the United States Department of Agriculture (USDA), Food and Nutrition Service Division, direct benefit payments for the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, of \$8,164,406 have not been reported as expenditures in the basic financial statements or in the Schedule.

Note 3. Relationship to Fund Financial Statements

Substantially all federal and State financial award programs (other than direct benefit payments - see Note 13 to the financial statements) are accounted for in the County's governmental and proprietary funds.

Note 4. Loans Outstanding

Carteret County has outstanding loan balances from federal and State funding sources that are not required to be presented within the Schedule because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. The loan funds were presented in the Schedule in the years of their expenditures.

The following is a summary of changes in the County's long-term outstanding loan balances of the USDA Water Revenue Bond and the NC Department of Environment and Natural Resources (NCDENR) Drinking Water State Revolving Fund for the fiscal year ended June 30, 2018:

	Beginning Balance June 30, 2017	Additions	Retirements	Ending Balance June 30, 2018
Revenue Bond	\$ 997,000	\$ -	\$ 17,000	\$ 980,000
Installment purchase obligations	1,446,192	-	171,032	1,275,160
	<u>\$ 2,443,192</u>	<u>\$ -</u>	<u>\$ 188,032</u>	<u>\$ 2,255,160</u>

Note 5. Cluster of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, Foster Care and Adoption.